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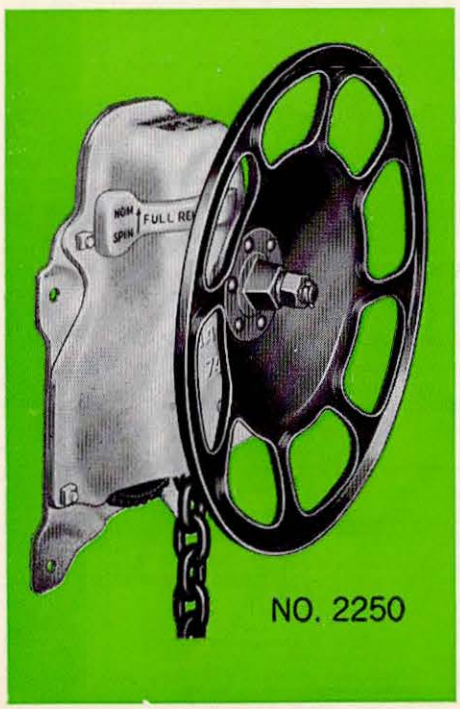

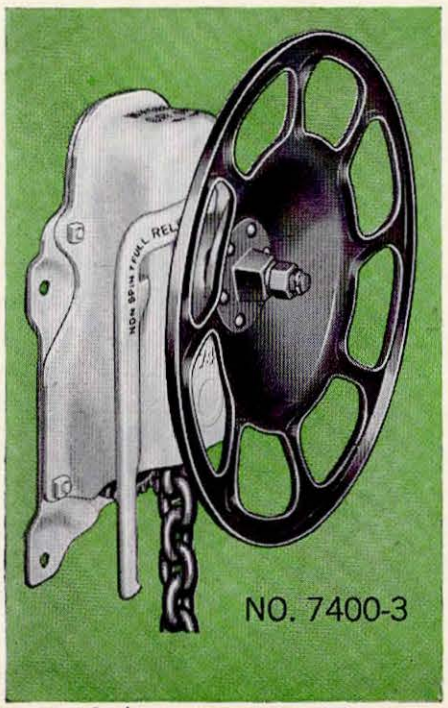

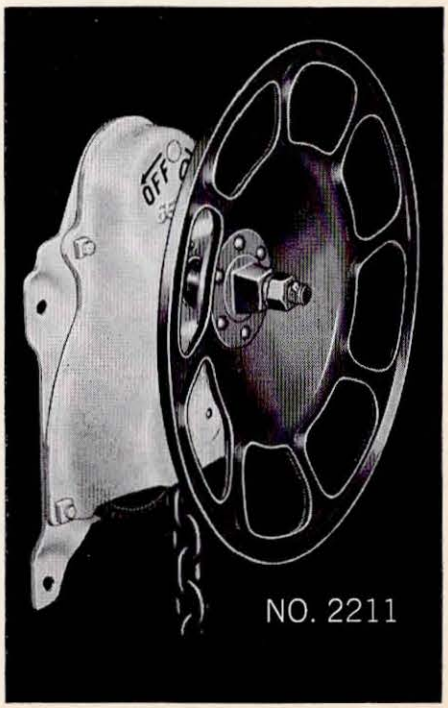

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Inside

LUTHER MILLER

ATSF, TRAIL-BLAZER

Builders of the Atchison, Topeka & Santa Fe followed the old Santa Fe trail westward. But that's just about the last time the Santa Fe ever permitted itself to follow along in someone else's rut. It was the Santa Fe, along with the Southern, that blazed the trail for U. S. freight dieselization. It was the Santa Fe, with the Frisco, that pioneered the auto-rack cars. It was the Santa Fe, neck and neck with Southern Pacific, that introduced the locomotive simulator. And it is the Santa Fe that is about to knock over all traces of the past with its bold and imaginative coaxial-train concept.

"A lot of railroads," comments Senior Editor Gus Welty, who recently put in a lot of hours at the Santa Fe working on this issue's management close-up, "can claim to be innovators. Santa Fe has a reputation for innovations that work. If they were selling stock in the coaxial train, and if I had any money, I'd put it there."

It was Fred Gurley, a former Santa Fe chieftain, who once remarked, when asked why he spent more time in the locomotive cab than in his business car, "I'd rather see where I'm going than where I've been."

Senior Editor Welty's interviews with Santa Fe's incumbent chief, John S. Reed, and a host of sub-chiefs (beginning on page 40) suggest that Santa Fe still has its eyes firmly fixed on the future.

LOOK, MA—NO SHACKLES

CP Rail's Burbidge

A great side-benefit that has accrued from Canada's new National Transportation Act, says Fred Burbidge, newly-named senior executive officer of CP Rail, is this: It has deprived old-line railroaders (and perhaps some new-line types) of their much-overused "we-can't-do-this" crutch. In the old days, says Burbidge, these railroaders, when confronted with an innovative concept, were apt to respond, "You can't do that, the Railway Act prohibits it." Without that crutch, Burbidge is pleased to report, railroad men on the CP are "much more open-minded and aggressive."

What this "open-minded and aggressive" approach is accomplishing for the railway, and for its customers, is the subject of Mechanical Editor Fred Houser's interview with Burbidge in this issue (p. 74).

Burbidge, incidentally, is not convinced that Canada's railways ever had as many regulatory shackles as the speechwriters wrote about. "We were going to prepare a list of shackles—but when we came to make a list, we found that actually there were damn few," he recalls.

REDUCE STRESSES AND CENTER PLATE FAILURE WITH C-PEP

Rail dynamics researchers now agree that freight car sway produces high stresses in truck bolsters and body center plates—a clue to most center plate failures.

Several years ago, we set out to stabilize the freight car's "ride with danger" and created a fail-safe shock absorbing system that effectively broadens the car-to-truck contact area. We call this system C-PEP.

This breakthrough means thousands of dollars in maintenance savings for railroads. C-PEP drastically reduces center plate wear and practically eliminates center plate metal fatigue and fracture.

C-PEP has highballed on more than 5,000 AAR-approved 100-ton cars since 1967 without a single wheel lift-off derailment! Wear on bolster gibs and side frames of cars with more than 250,000 miles has been only nominal.

C-PEP not only controls low-speed track negotiation; it also reduces truck hunting, permitting higher speeds, even for empty cars.

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RAILWAY AGE

May 31, 1971

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COVER

The photograph shows John S. Reed, Santa Fe president and chief executive officer, in Pullman-Standard's Butler, Pa., plant. The cars are part of an order being built this year for ATSF. The photograph was taken by Orville Brent, assistant photographer in the road's public relations department.

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Short and Significant

LABOR

ANOTHER STATE REPEALS ITS TRAIN-CREW LAW

The New York legislature has passed and Gov. Rockefeller has signed a bill repealing the remaining part of the state's full-crew law. In an earlier court challenge, the constitutionality of the law had been upheld. But, in 1966, the legislature approved repeal of two sections of the statute which prescribed crew consists for road, switch and transfer operations. One section, requiring use of a fireman on any fuel-electric train, was retained—and it was this provision which has now been killed. Penn Central President William H. Moore said the repeal would ultimately save PC $9 million a year. Similar action in Ohio and Indiana would save PC $12.5 million and $9.3 million, respectively, on an annual basis.

BLE COMES HOME A WINNER—AGAIN

About the only rail labor organization that seems to be gaining in strength these days is the Brotherhood of Locomotive Engineers—and BLE's gains seem to be coming mostly at the expense of the United Transportation Union. In the most recent representation contest on a major road, Louisville & Nashville firemen opted for BLE—284 to 197. Understandably pleased, BLE says the L&N vote, "like the voting on a number of other properties in recent months, can be interpreted as evidence that engine-service employees who are seriously concerned about their job in an industry beset with difficulties are determined to be represented by the one rail labor organization whose sole dedication is to the men in engine service."

PASSENGER

SPECS REVISED FOR 214 COMMUTER CARS

Carbuilders are now studying revised specifications for 214 high-speed m-u cars to be purchased by the Southeastern Pennsylvania Transportation Authority (144) and the State of New Jersey (70). Bids received on earlier specifications were rejected by the SEPTA board after the U.S. Department of Transportation termed them excessive and recommended against acceptance. Bids are due within 90 days; the contract will be awarded 60 days later. First car is to be delivered 18 months from the date of contract. Completion of the order will require 24 to 30 months. Prime contractors studying the specifications include General Electric, Pullman-Standard, Rohr, St. Louis Car, Boeing, ASEA (of Sweden), and Hawker Siddeley of Canada.

COMPUTERIZED TICKETING FOR AMTRAK?

Ticketron, Inc., wants to build a "fully computerized" ticketing system for Amtrak similar to a system already handling Metroliner ticketing (RA, Aug. 18, 1969, p. 9). Noting that Amtrak incorporators have already commissioned a study of airline ticketing procedures, Ticketron President T. W. Helweg claims the airline method will not be the most efficient for railroads "since it still involves a slow manual ticket-writing process even after the computers have done their scanning."

THE INDUSTRY

SIX CONTAINERS ON ONE 89-FOOT CAR

A depressed-center flat car capable of carrying six 20-foot containers is now being tested by the Canadian National. CN expects to move five times as much container traffic this year as it did in 1969 and sees two-high stacking of four containers between the car's trucks as "helping to control rising costs." The 89-foot car with the two 20-foot container cells in its center has 50% more capacity than conventional equipment; it was built at CN's Point St. Charles shops in Montreal. R. Lawless, general manager, express and intermodal services, says the design of the car is in line with CN's efforts to maximize containerization potential.

MILWAUKEE ROAD AIMS TO DIVERSIFY

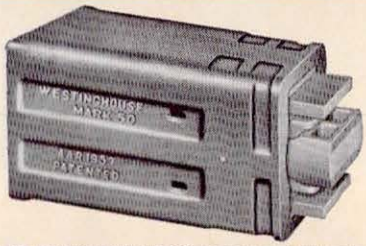
Next railroad to go the diversification route may be the Milwaukee Road. Directors have approved a proposal for creation of a holding company—to be known, at least for now, as Chicago Milwaukee Corp.—and an exchange offer is to be made as soon as possible, probably in 1971.

AAR EXTENDS BEARING CONVERSION DEADLINE

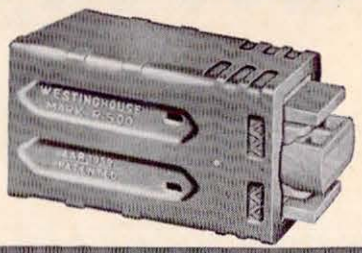
As had been anticipated, the deadline set by the AAR for application of roller bearings to cars with journals of 6½-inches by 12-inches or larger has been extended one year to Jan. 1, 1973. An estimated 14,000 cars are affected by the ruling.

SMOOTH CONTACTS

MARK 50



MARK R-500



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Mark 50 and Mark R-500 feature the exclusive Westinghouse patented friction clutch mechanism which guarantees smoother performance in coupling and train operations—and with economy. Friction parts located on inner surfaces eliminate wear on the housing, the most costly part of the gear. Long life and reuse are assured.

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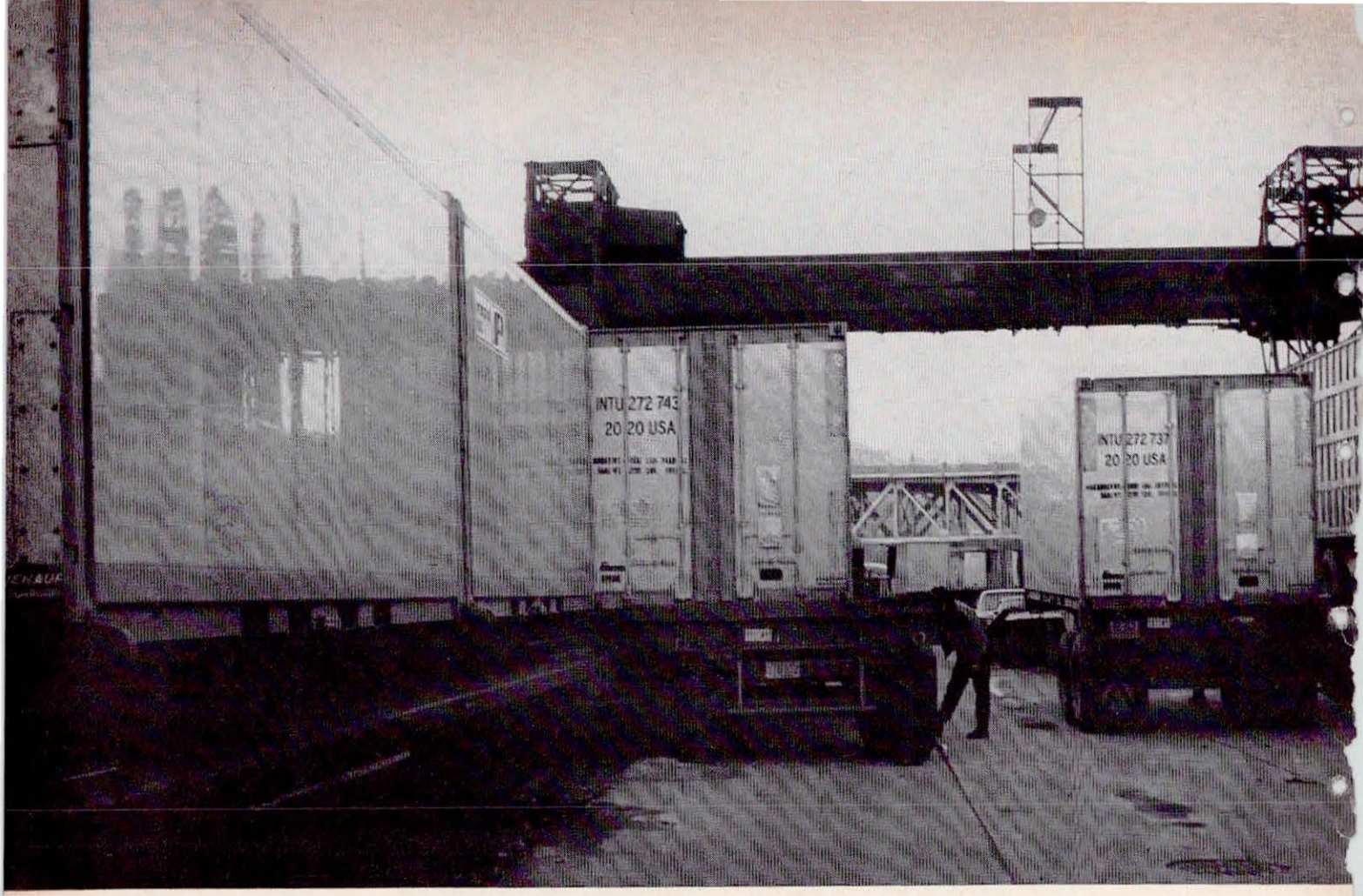

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Senator Hartke opens hearings on three freight-car bills

It was by now the familiar cast with some guest stars. Once again at a Congressional hearing on rail problems were AAR President Stephen Ailes, ASTRO General Counsel George Smathers, and Senator Vance Hartke (D.-Ind.), chairman this time of a Special Subcommittee on Freight Car Shortages. To them, add RPI Chairman (and ACF Industries President) Henry A. Correa; NIT League Legislative Chairman Fred H. Tolan; Southern President W. Graham Claytor, Jr., and Southern Pacific President Benjamin F. Biaggini.

These men came to Senator Hartke on May 19 and May 21 to offer industry, supplier, and shipper testimony on three freight-car bills, all introduced April 30 by Senator Warren Magnuson (D.-Wash.), chairman of the Senate Commerce Committee. In numerical order, the three bills are:

—S. 1729, co-sponsored by 33 senators, endorsed by the Congress of Railway Unions, the United Mine Workers, and others; opposed by railroads. This bill would establish a $3-billion government controlled corporation, Fastcor, to acquire and maintain a fleet of general service cars.

—S. 1730, drawn up by NIT League, supported by railroads. It would create a private corporation, known as the National Freight Car Corp. (NFCC), to build and own general service cars to be made available to shippers during times of shortage.

—S. 1731, backed by the AAR and endorsed in principle by NIT League. It would authorize the Secretary of the Treasury to insure loans up to $3 billion for railroad equipment purchases. In return, rails would pay the Treasury a premium of .0025% a year on the outstanding amount of the equipment obligations.

There was a clear and wide gulf between the NIT League and AAR bills on the one hand, both embodying ASTRO recommendations and having a private enterprise bent, and Fastcor on the other with its emphasis on governmental control.

Said NIT League's Tolan:

"We believe NIT League's NFCC and AAR's insurance bill are complementary pieces of legislation. The AAR bill would definitely cover the basic year-round car and rolling stock requirements of the railroads. Seasonal or peak demands would be covered by NFCC."

RPI's Correa testified:

"Competent observers have estimated that railroad rolling stock should have additions of at least 100,000 new freight cars and 2,600 locomotives to satisfy . . . the one trillion, one hundred billion revenue ton miles" DOT estimates rails will carry by 1980.

Southern's Claytor noted that S. 1730 and S. 1731 "attack a specific problem. They are not relief measures for a few. They take a minimum step with the least government aid and make the most contribution to solution of the problem."

RPI'S HENRY CORREA at Senate hearing.

Biaggini criticized Fastcor as going "way beyond the problem and placing more emphasis on redundant authority and on creating a new agency. It would set up new car service rules for all cars and, in effect, confiscate the existing railroad fleet which is now subject to voluntary car service contracts without compensation to the owners. It provides little or no encouragement for keeping the railroad industry in private hands and may even be a first step toward nationalization."

Penn Central will lease 4,500 more cars for total of 6,751

Penn Central President William H. Moore, who earlier this year expressed the hope that the bankrupt carrier could acquire 7,000 new freight cars in 1971, is now close to the mark. PC last week was processing leasing arrangements which will bring on line 4,500 new cars in addition to 2,251 announced earlier, for a total of 6,751. And on top of that, there were prospects for $150 million in new bank loans for still more rolling stock.

Of the 4,500 additional cars, 2,000 will be high-capacity gondolas to be leased from Fruehauf Oilcar. A leasing agreement for an additional 2,500 cars is in the works.

Both leases are for 15 years with options to renew for two five-year terms.

Earlier leasing deals involved 1,000 box cars from ACF (RA, March 29, p. 8) and 1,251 covered hoppers from Pullman Standard (RA, April 12, p. 8).

The $150 million in bank loans for additional rolling stock is part of an agreement in principle which Penn Central has reached with a group of banks.

In April 1959, 15 months before it went into reorganization, the railroad negotiated a $300-million loan with 53 banks headed by the First National City Bank of New York.

The agreement tentatively announced last week would turn over to these banks in settlement of that loan, all common stock of the Pennsylvania Co. (Pennco), a Pennsylvania Transportation Co. investment subsidiary.

As part of this agreement, the banks would extend new loans totaling $150 million for rolling-stock acquisitions through either purchase or lease.

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The ACI Scanner

Mr. P. H. Galloway, President of the Peoria & Pekin Union Railway, has announced plans for installation of an ACI Systems Corp data collection system.

As you know, our primary goal at ACI Systems Corp is serving railroads in ACI and transportation control. Therefore, we are very proud of our affiliation with the P & P U and their confidence in our technology and capabilities.

Founded in 1881, the P & P U serves the Peoria Gateway, fifth largest rail center in the U.S. Peoria is terminal or ratebreak point for 12 railroads and freight is moved through Peoria in a matter of hours on its way to the East or West Coast.

Plans call for initial installation of nine ACI Rail Scanners multiplexed to three ACI Label Decoding Processors. The Processors will connect to the Terminal Computer in their Data Processing Center.

Describing the overall benefits, Mr. Galloway stated, "Our ACI System will permit us to increase reliability of P & P U services, generate greater utilization of equipment and facilities, reduce operating expenses and improve security."

More specifically, our Scanners will make it possible to develop valuable reports and services, including inventory of cars to and from connecting lines; switch lists; joint facility accounting; demurrage accounting and protection for industries; and performance of repair facilities . . . to name a few.

This installation will also introduce a new technique featuring Supplemental Labels which allow recording of repetitive waybilling code numbers for automated preparation of waybills.

We'd like to tell you about the new ACI technology, and work with you to achieve your ACI objectives!

W. H. Thompson
President

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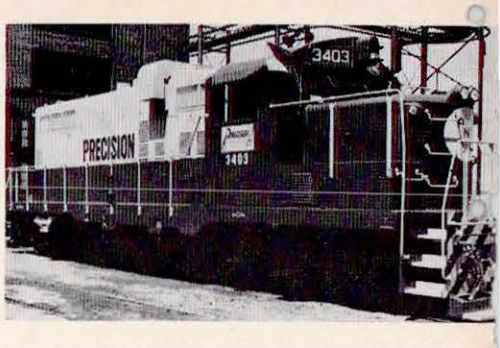
Paducah rolls out first Precision unit



Want to lease an 1,800-hp diesel, "like new," for short-term or long-term use? Such locomotives are now available due to the stepped-up production at Precision National Corp.

Precision has been in the business of re-manufacturing for some time and has been leasing locomotives for several years, with a peak of 41 on lease at one time. Customers have included Class I roads, short lines, switching and terminal roads and industrial lines, but Precision's service reaches new dimensions as the result of an arrangement with the Illinois Central (RA, May 10, p.14). IC recently completed total re-manufacture of its 100th unit, for its own account, at the Paducah, Ky., shops. The first locomotive turned out at Paducah for Precision—No. 3403—came in as a damaged 18-year-old GP9. The diesel engine, generator and air compressor were totally rebuilt at Precision's Mt. Vernon, Ill. shops. Electrical components were rebuilt, frame and body work and final assembly were performed at Paducah.

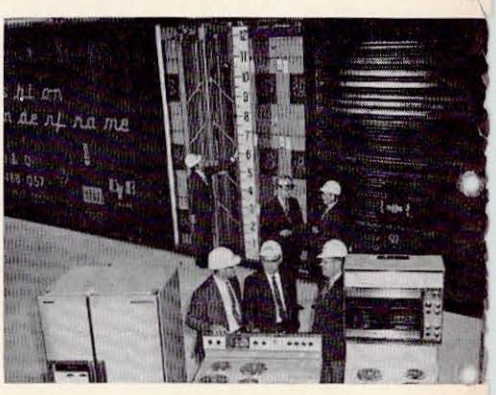
The re-manufactured units are rated better than new, in that improvements since original construction have been incorporated; and "life expectancy" is 15 years or better.

With a generally tight motive power situation, and with seasonal peaks occurring regionally, the availability of modern units in prime condition on short- or long-term lease should fill a real need.

No. 3403 was turned out at Paducah May 4, and was immediately leased to the IC itself, going into revenue service between Paducah and Louisville on a shakedown basis. The unit is now on regular assignments, running multiple with other IC units, on the Iowa division into Council Bluffs. A second GP9 unit is now on the line.

Production at Paducah will supplement production at Mt. Vernon to help meet an early goal of at least three re-manufactured units a month.

C&O/B&O unveil new appliance car



Chesapeake & Ohio/Baltimore & Ohio have been raising the roof—literally—on a series of new appliance box cars now going into service. The 12-foot 7-inch clear interior height is greater than that of previous high-cube appliance cars and permits three-high stacking of many units such as washing machines and ranges. The interior fittings and cushion underframe were chosen to assure damage-free movement and greater ease of loading and unloading. First of the new Pullman-Standard-built cars handled a load of General Electric appliances out of Louisville, Ky.; later this year the C&O/B&O fleet will also be serving a new GE plant at Columbia, Md. The cars are being made available to other appliance manufacturers as potential traffic and routing capabilities warrant.

Brenco supplies BART-car bearings

Bay Area Rapid Transit picked a newcomer to the carbuilding field—the Rohr Corp. of Chula Vista, Calif.—to build 250 cars for the transit network that is scheduled to begin revenue operation early in 1972. But long-established railway and rail-transit suppliers, with proven records of reliability, were picked to supply most components, and are helping to minimize problems in the prototype cars. One of these suppliers is Brenco, Inc., which is furnishing roller bearings for the LFM Rockwell trucks. Brenco's name was inadvertently omitted from the list of component suppliers furnished to Railway Age by BART (RA, May 10, p. 26).

N&W cuts paper—and saves $520,000

Five months ago, Norfolk & Western department heads got the word from President John P. Fishwick to cut the paper output in reports and forms. Results of "Operation Wastebasket" are:

— Savings of $400,000 representing 78,485 manhours required to prepare reports.

— Savings of $69,000 annually in paper consumed by computerized reports.

— Savings of $40,000 annually in computer printing capacity.

— Savings of $10,000 annually in paper used for manually prepared reports.

Of 3,624 reports prepared before Operation Wastebasket—which began with a two-day work session by department heads and Fishwick devoted to deciding what reports could be eliminated or reduced in size—829 were eliminated and an additional 209 were reduced in size or quantity of distribution.

Leading the way was the office of the auditor of station accounts which cut annual report paging by 48%. Most other departments eliminated about 45% of their reports with material management the leader by dropping 55 out of 90 reports, or 61%.

RPI will reward rail-minded Scouts

The Railway Progress Institute, which devotes much of its time to acquainting today's opinion leaders with the needs of the railroad industry, is now going after tomorrow's leaders. RPI has announced a new program under which Boy Scouts will have an opportunity to win $1,750 in scholarship grants by answering the question, "Why are railroads important to the nation?"

The essay competition is open to all registered Scouts who have earned a merit badge in railroading. Their answers to RPI's question must be no more than 600 words in length and must be presented publicly—before scout meetings, school classes or civic clubs, or through publication in community or school papers. First prize is a $1,000 scholarship; second prize, $500; third prize, $250. Each of 21 runners-up will receive a $25 U.S. savings bond.

The new program replaces RPI's Golden Freight Car Awards, which were made in past years to railroads for outstanding freight promotion.

Watching Washington

REID BEDDOW

FOR CAR BILLS, A TOUGH ROAD

Two freight-car corporation bills, one backed by the NIT League and the other by labor interests, and the AAR's equipment insurance bill have now been introduced in Congress. What are their chances of passage? Crystal balls are murky at this early stage, but there is probably as much reason for pessimism as for optimism. DOT Secretary John A. Volpe has said privately that railroads will be lucky if 25% of the ASTRO recommendations are ever written into law. That 25%, he thinks, might well take the form of some kind of car bill.

Others are less sanguine. A Senate Commerce Committee aide thinks the chances of all three pending bills are approximately that of the proverbial snowball. Senator Vance Hartke is hot for a full investigation of all rail problems by his Surface Transportation Subcommittee before any bill is moved. And he has said publicly that the painful experience of Amtrak, with the furor that accompanying trainoffs sparked in back-home constituencies, has increased Congressional hostility to other rail assistance proposals. (Incidentally, Senator Hartke can be swift in action where his own state's interests are concerned, as his recent "persuasion" of Penn Central not to close its Beech Grove, Ind., freight-car repair facility demonstrated).

Back in the crystal-ball department, consider these remarks by a labor union officer: "This idea of a freight car pool has been kicking around in one form or another since 1906," he said. "These bills aren't going to pass until railroads, labor, and shippers get their heads together and agree on one proposal."

DOT READIES ITS OWN LEGISLATIVE PACKAGE

The Department of Transportation's long-awaited statement on National Transportation Policy will be issued by Secretary Volpe June 7 after his return from a trip to Europe. For railroads, the accompanying legislative proposals are said to include a $500-million loan guarantee program, deregulation to a flexible rate structure, speedier line abandonment procedures, and recovery of long-term variable costs on all traffic.

ANOTHER RAILROAD PROBE. WHO NEEDS IT?

That Senate Commerce Committee investigation is beginning to show signs of life. The committee has received $150,000 for a year-long study, four investigators are being hired, two of them are already digging into ICC and Penn Central records.

The probers hope that if they find out what went wrong with PC, industry problems will be clearer. Some rail men, feeling that there is little mystery about industry problems, worry that the inquiry could degenerate into headline-seeking and sensationalism.

Besides, they point out, PC has already been extensively investigated by both the ICC and Rep. Wright Patman's House Banking Committee.

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Amtrak tackles staffing problems

For weeks, Amtrak was front-page news. But the press and the public quickly became accustomed to the novelty of government-run passenger trains, and Amtrak—with an almost audible sigh of relief—receded into the inside pages. In a period of relative quiet, these were the major developments:

—Amtrak President and Chairman Roger Lewis sifted through hundreds of resumes to select some 25 major staff appointees. Among the first selected: D. A. Watts, Jr., C&O B&O corporate planning director, who will become Amtrak's vice president-planning.

— Elected as railroad members of the Amtrak board were Burlington Northern President Louis W. Menk, Penn Central President William H. Moore, and Milwaukee Road President William J. Quinn. They join the eight trustees previously appointed by President Nixon. Four other trustees will eventually be elected by preferred stockholders. The rail trustees were named by the four railroads which decided to accept common stock in the corporation in return for their payments to Amtrak. The four are the above roads plus Grand Trunk Western. Sixteen other carriers joining Amtrak elected to take tax deductions this calendar year for the amounts of their payments in lieu of common stock.

—It was disclosed that the 20 joining railroads will pay the following amounts as entrance fees (the amounts, payable over three years, are equivalent to 50% of each carrier's fully distributed 1969 passenger-service deficit):

B&O, $4,840,061; C&O, $4,652,651; D&H, $325,064; GTW, $2,084,564; N&W, $5,825,348; PC, $52,382,109; RF&P $1,689,674; CofGa, $1,194,026; GM&O, $2,243,750; IC, $8,666,420; L&N, $5,975,176; SCL, $16,091,306; Santa Fe, $21,053,773; C&NW, $126,-638; BN, $33,447,191; Milwaukee Road, $5,943,074; MoPac, $2,492,477; NWP, $31,896; SP, $9,259,225; UP, $18,770,738.

—On May 6, Amtrak accepted proposals from New York, Ohio and Michigan for financial assistance to provide provisional service from New York to Chicago through Buffalo and Cleveland, with north-south connecting service between Toledo and Detroit. Service began May 10 on the New York-Chicago route; the Detroit-Toledo service begins June 1. The three states (to be joined by Indiana whose legislature does not meet this year) will pay Amtrak two thirds of the estimated $3 million annual loss on the new service, which consists of one round trip a day between New York and Chicago on the waterlevel route. The service is overnight from New York to Cleveland, and daytime between Cleveland and Chicago.

On May 17, Amtrak inaugurated daily round-trip service between Boston and New York through Worcester and Springfield, Mass., after the Massachusetts legislature appropriated $175,000 to help defray the estimated annual loss of $225,000.

—Amtrak spent about $4 million to get on the road, it was learned from documents submitted to the Senate Commerce Committee. About $600,000 went to 10 law firms. The largest single fee, $691,000 went to McKinsey & Co., originally retained by the Federal Railroad Administration for preliminary Amtrak staffing functions. Two accounting firms—Arthur Andersen & Co. and Arthur Young Co.—received a total of $580,000 to set up internal accounting systems and to examine cost and revenue data submitted by railroads. Another $350,000 was shared by two personnel search firms—Heidrick & Struggles and Ward Howell & Associates.

Other fees went to: Louis T. Klauder & Associates, $410,000, for equipment surveys; American Airlines, $138,000, for a study of tickets and reservations, food supply, and baggage handling; Parsons Brinckerhoff-Gibbs & Hill, $40,000 for inspection and evaluation of Metroliner equipment stored at the Budd Co. and not in use; Lippincott & Margulies, $125,000, to devise a corporate symbol and name and to design car exteriors and interiors; and Harshe-Rotman & Druck, $75,000 up to March 1, for public relations.

UP's Ward heads advertising group

Charles R. Ward, who was recently promoted from acting general advertising manager of Union Pacific to general advertising manager, is the new president of the Association of Railroad Advertising Managers. Also elected at ARAM's annual meeting in Atlanta, Ga., were H. Pier Clifford, advertising manager of the Southern, first vice president; Robert D. McIntyre, manager of advertising, Southern Pacific, second vice president; and Tim Hogan, manager of public relations, Missouri Pacific, third vice president. Joe D. Singer, advertising manager of Chesapeake & Ohio/Baltimore & Ohio, was reelected executive secretary/treasurer.

Congress broods over rail labor problems; but will Congress act?

Whoever coined the phrase "merry, merry month of May" couldn't have had the railroads in mind.

Management/labor conflict again dominated the scene—though the industry did arrive at one agreement on work rules which may someday be most meaningful.

Otherwise, the news was mostly grim:

— Penn Central served warning once again that it can't succeed with reorganization without "the reduction in disproportionate labor costs." PC's trustees said they are preparing "concrete proposals for meeting the critical labor relations and employment problems."

— The industry suffered through a nationwide strike by the Brotherhood of Railroad Signalmen. Congress, refusing to be rushed, finally passed back-to-work legislation which included a 13.5% wage increase covering 1970.

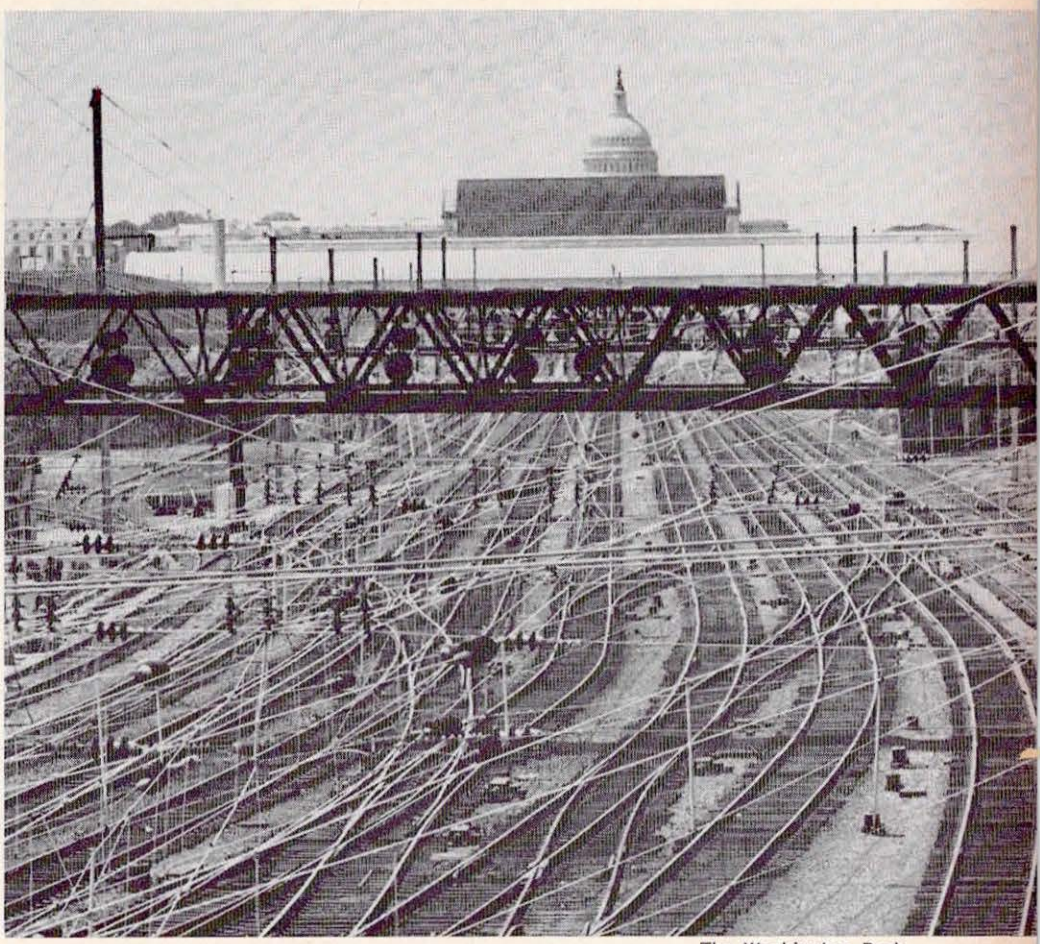
— The AAR and the Air Transport Association submitted a joint recommendation for changes in the Railway Labor Act "designed to encourage collective bargaining to bring about settlements between the parties or, in some instances, to provide disposition of controversies where negotiation fails." AAR/ATA's proposal came at a time when Congress was indicating a willingness to consider President Nixon's somewhat-similar plan. But the prospects for action on any new labor legislation did not appear overly bright.

On the positive side, the industry did get in May a settlement with the Brotherhood of Locomotive Engineers which provides (1) wage increases of about 42% covering 42 months from Jan. 1, 1970, and (2) work-rule changes which follow the recommendations of Emergency Board 178.

Rules changes agreed to by BLE would: (1) extend present switching limits for yard crews; (2) require yard crews to service all customers within four miles of switching limits; (3) prohibit radio arbitraries; (4) update interchange operations to, among other things, permit crews delivering cars to another railroad to return with cars; (5) allow road crews to handle a limited amount of switching connected with their own trains; (6) allow the institution of interdivisional runs; and (7) require merger of road and yard seniority rosters.

But, while he hailed the potential long-term benefit to be gained from the changes, National Railway Labor Conference Chairman J. P. Hiltz, Jr., warned that short-term benefits will be small:

"The work rules will not serve, in the foreseeable future, to offset the large costs involved in the wage increases."



The Washington Post

DURING TWO-DAY STRIKE by Signalmen, Capitol dome overlooks empty rail yard.

Employee protective conditions will, of course, be involved. And, said Hiltz, "there is another factor which detracts from the value of the work rules and, in fact, makes some of them of no immediate use to the railroads. This is that, until the other operating union [the United Transportation Union] agrees to put the rules into effect, most of them cannot be instituted with BLE employees alone." Hiltz said he is hopeful that UTU "will soon agree to institute the same changes." But thus far, UTU has given no indication of fulfilling that hope.

The BLE settlement was announced May 13—and four days later, the Signalmen struck to back up demands for a bigger-than-pattern wage increase.

With BRS representing (at most) 2% of the railroad work force, the strike was something less than totally effective. A number of roads were able to continue operations at a reasonable level with supervisory personnel (and in some cases with union crews, where no crossing of a symbolic picket line was involved). Only two embargo notices were issued, covering acceptance of livestock and perishables.

The Nixon Administration asked Congress for a short-term back-to-work order to permit negotiations to continue while service was maintained. Congress eventually responded with wage-increase legislation coupled with a postponement to Oct. 1 of any further strike activity.

As the walkout ended, AAR and ATA had their strike-preventing proposal ready to go. As they pointed out, "The basic problem is that the economic weapons of strike and lockout, with the incentive they provide both sides for settlement, are not acceptable to the nation in the case of a transportation industry, and hence some other means for providing the impetus for settlements through negotiation has to be provided."

AAR/ATA propose an arsenal-of-weapons approach, for use when normal processes of the Act have been exhausted and a strike seems imminent. Then, the Secretaries of Labor, Commerce and Transportation would choose one (and only one) of four alternatives, "based on consideration of

Lines on Labor

GUS WELTY

CONGRESS RIDES A SLOW TRAIN . . .

True to its word, the Brotherhood of Railroad Signalmen pulled its members off the job at 6 a.m., local time, Monday, May 17. True to its word, the Nixon Administration had strike-stopping legislation ready to go. The only problem was that when the pickets began to appear, the Administration had no place to submit its legislation. Congress wasn't in session over the weekend. When the first picket appeared, the nation's Senators and Congressmen (the early risers) were yawning and stretching, showering and shaving. Once they finally showed up for work, things didn't move very fast. True, the Senate Labor Committee did go into action rather promptly. But in the House, Interstate and Foreign Commerce Committee Chairman Harley O. Staggers had different ideas: "The Senate may act on a mimeographed copy of the bill," he declared, "but members of my committee will not act without a printed bill."

. . . WHILE A TINY UNION PUTS A HAMMERLOCK ON COMMERCE

Meanwhile, the strike went on. Across the nation, industries dependent upon rail service started shutting down or cutting back on operations. Railroads, in some cases, tried to stay in operation—and, in many cases, they were giving a good account of themselves. Traffic was being moved, yards were being kept fluid. But business was drying up. After all, you can't blame a shipper for being unwilling to take a chance on what was shaping up as an extremely fluid situation. And so, while the picketing itself was less than 100% effective, the fallout was giving BRS the desired effect.

A couple of comments might be made about that picketing. First, it seemed rather peculiar that Chicago's Dearborn Station should be picketed. Dearborn hadn't seen a passenger train since Amtrak took over May 1. But, to be charitable, perhaps it should be assumed that the pickets were aimed at the little Chicago & Western Indiana, which still has its offices in the building. Second, it was interesting to note that union crews were manning some of the trains that were still operating. BRS, which claims 13,000 members, was apparently spread pretty thin. And, while operating employees must surely have known a strike was in progress, some of them obviously figured they might as well work—if they didn't have to cross a picket line to do so.

AND NOW, WILL CONGRESS BREAK A PATTERN OF INACTION?

In the wake of the walkout came new pleas for Congress to do something permanent. President Nixon pointed out that a "pattern of repeated strikes and Congressional reaction to them can only impair free collective bargaining while placing an unnecessary burden on the nation." The AAR and the Air Transport Association came forward with their own plan.

As usual, however, Congress seemed in no mood to do anything which might prove offensive to organized labor. Hearings may indeed be held. But the legislators are already talking about what a long, tough job it will be to get a bill through committee, let alone the full Senate and House. Meanwhile, more problems are possible with UTU and the shopcrafts this year. Congress, please note.

recommendations of a panel chosen by them and the circumstances of the particular situation." The alternatives:

— The government should do nothing, "thus leaving the parties to a test of economic strength."

— The dispute "should be assigned to a panel which would find the facts, make them public and make nonbinding recommendations in the same fashion as the emergency board under existing law."

— A panel should be created "to make a choice between the final offers of the parties to the dispute which would be binding upon the parties."

— The dispute "should be referred to a panel for binding arbitration."

AAR and ATA said they had "worked long and hard on this bill and have great confidence in its effectiveness. However, we do not contend that it represents the only solution to the problem. If better solutions are developed as a result of Congressional consideration, we would feel free to agree to them. The important thing, we believe, is that the Congress undertake consideration of the various legislative proposals in this field as soon as possible, in order to permit the Congress to reach a reasoned decision as to the most effective machinery for dealing with transportation strikes."

Meanwhile, Penn Central's trustees were wrestling with their own labor problems. Their approach, they indicated, will be based on two features:

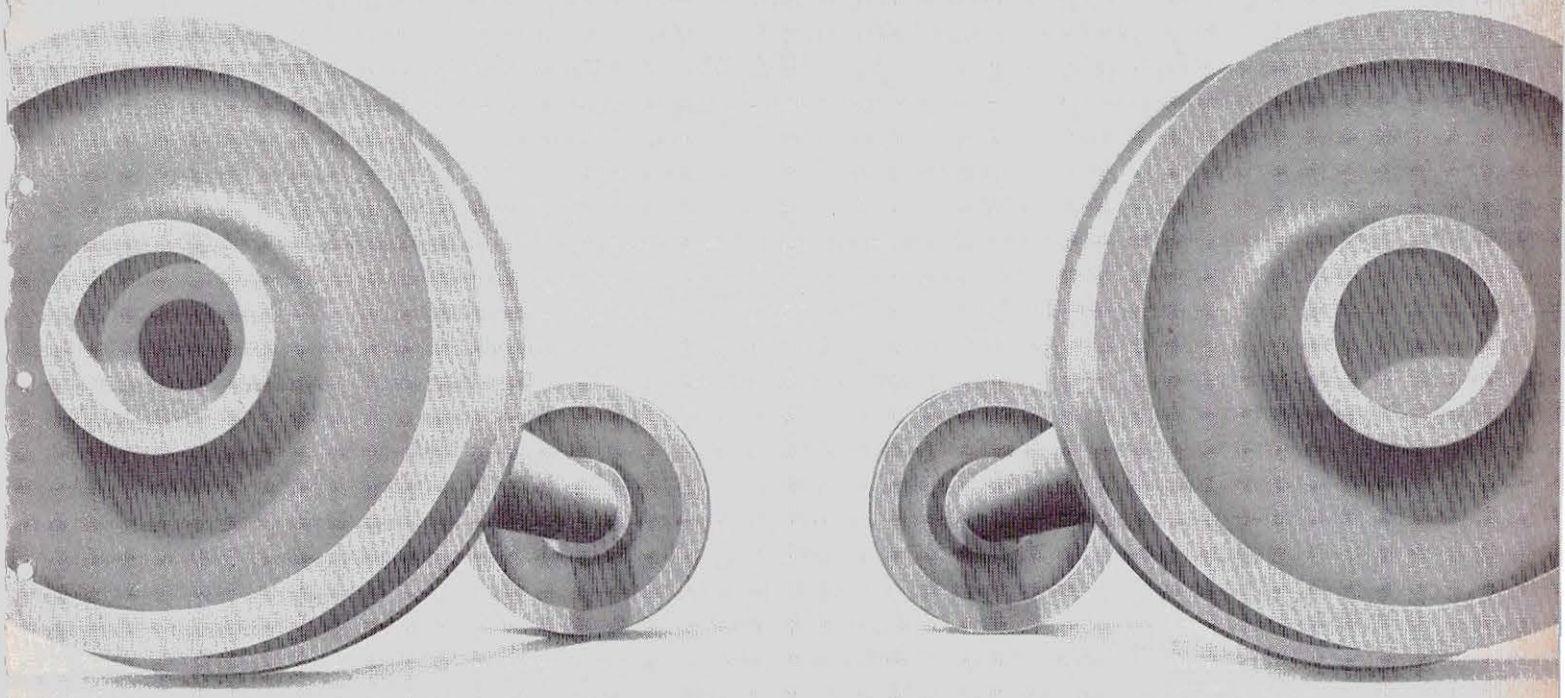
"First, machinery must be established, by such combination of bargaining and legislation as may be necessary, to achieve fair, reasonable and conclusive resolutions of critical work-rule issues. This would include provision for adequately compensating and protecting the interests of any individual employee adversely affected by changes in those rules, including reliance on the 'attrition' principle.

"Second, the costs of those unjustifiable work rules must be recognized, pending their ultimate modification, as an appropriate public expense. Whatever compensatory provision is made to protect the interests of employees adversely affected by such modifications must also be considered a public expense."

Present rules, PC's trustees said, "do not have any private business justification. Their continued cost cannot be sustained on a private business basis."

PC sets these extra costs at more than $10 million a month, resulting "primarily from the 'full crew' laws which remain in effect in three states in which PC operates, from the continued non-settlement of the fireman and crew-consist issues, and from irrational applications of the 'dual basis of pay' to operating employees."

The only difference between them is 100 pounds.



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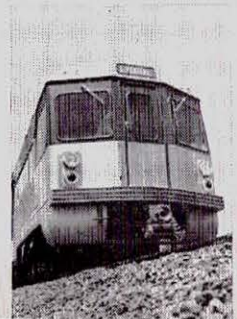

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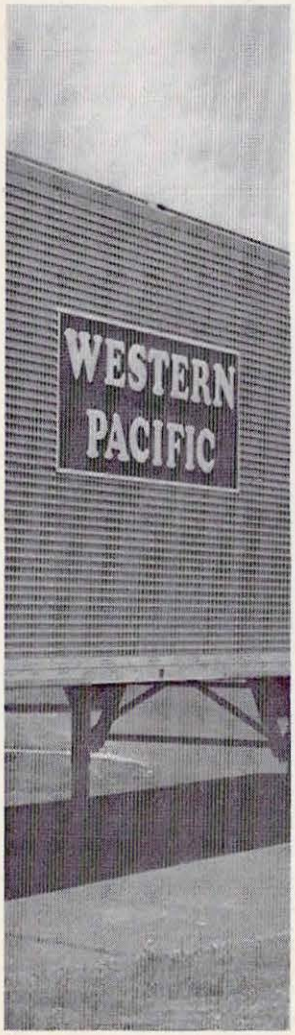

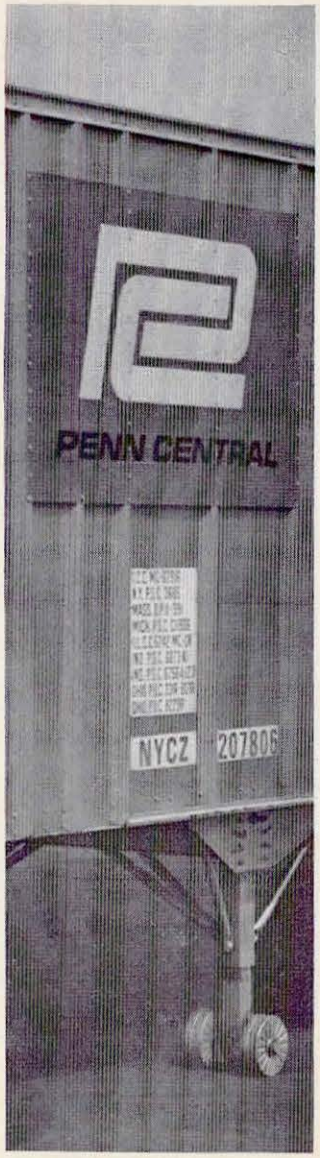

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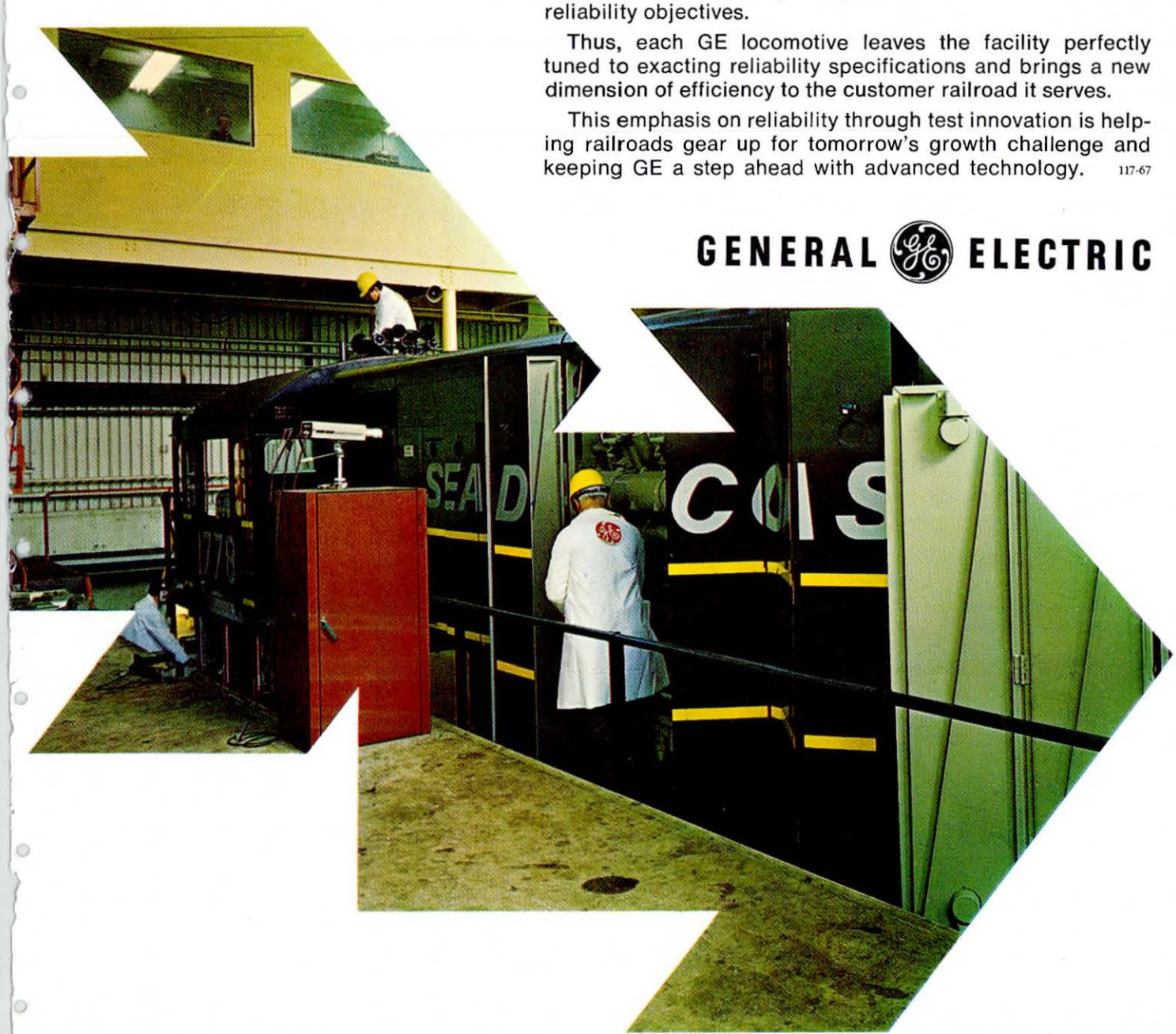

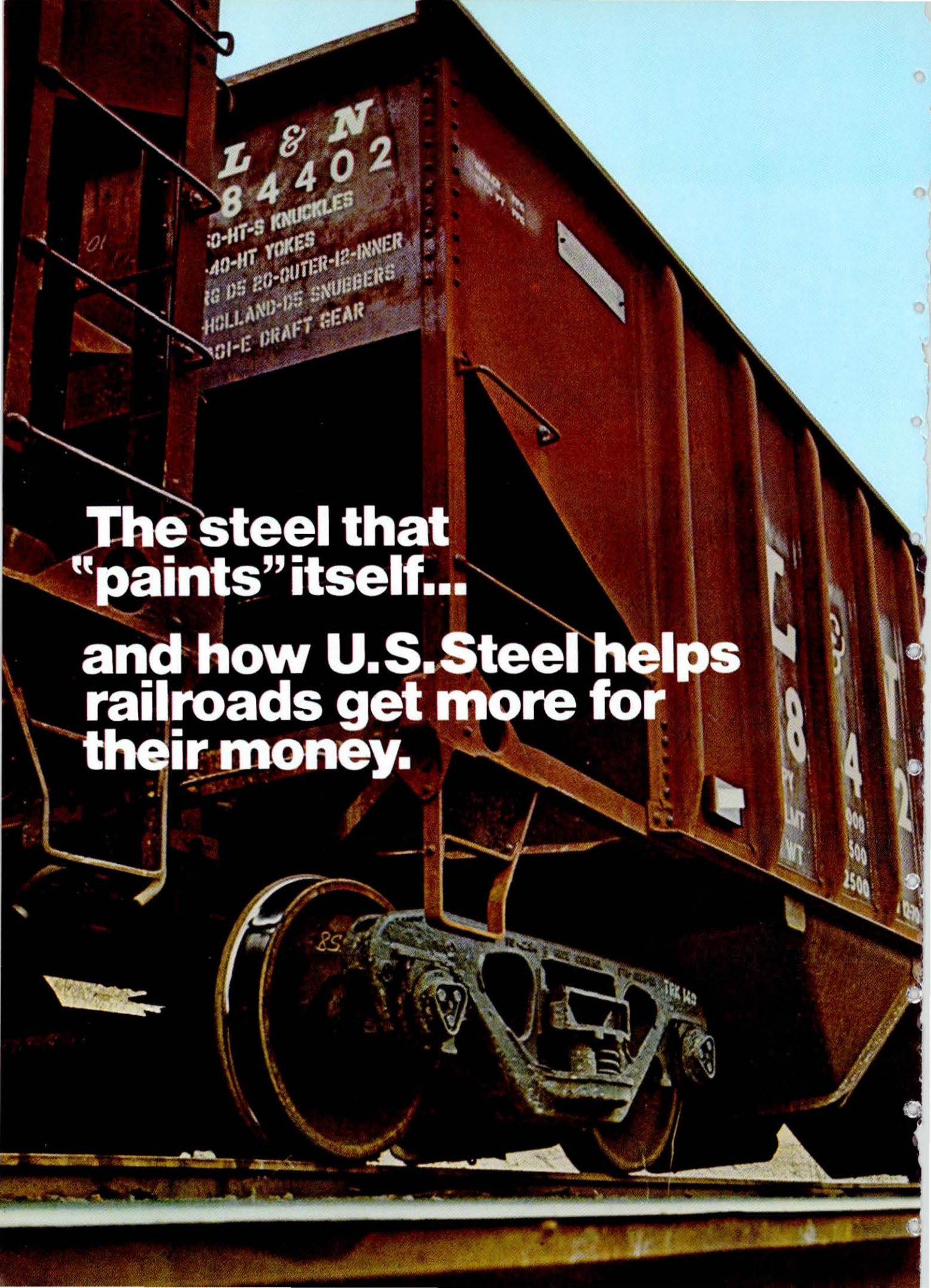

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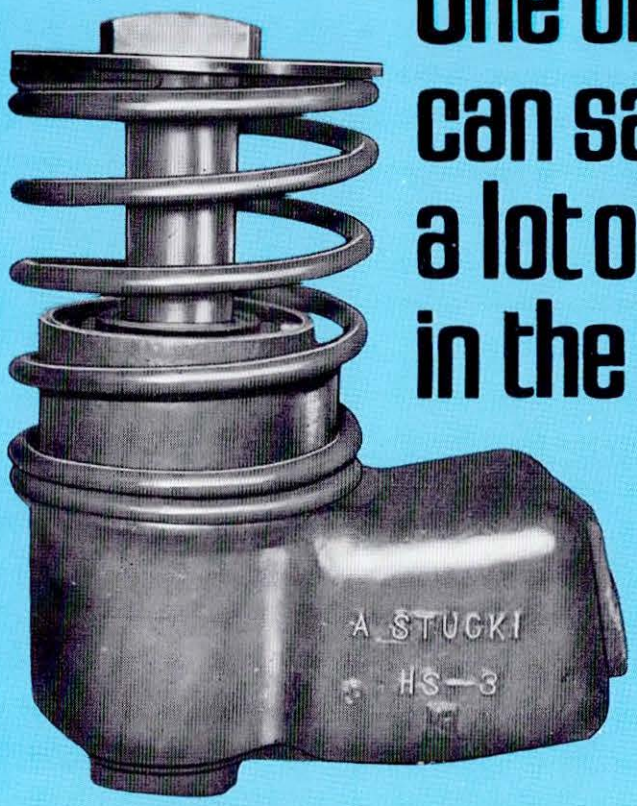

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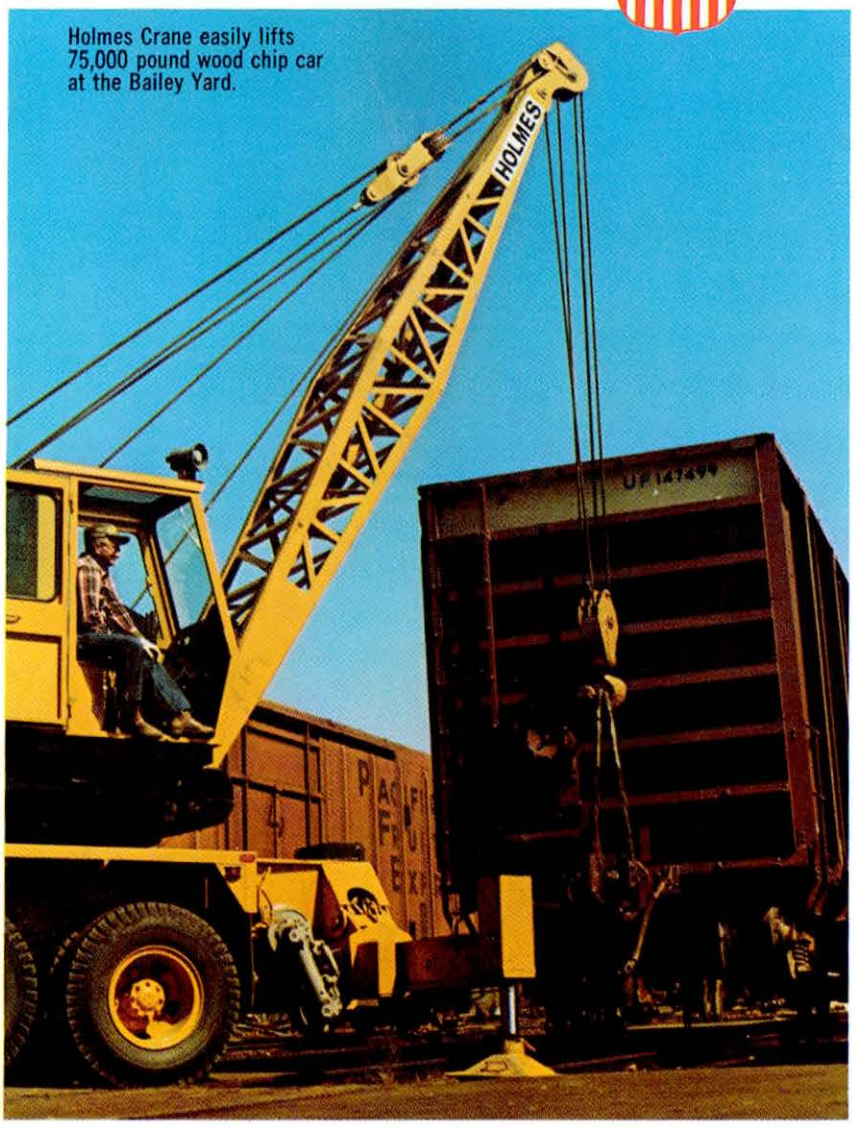

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- ☐ Have representative call for appointment

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NAME_____ TITLE_____

ADDRESS_____

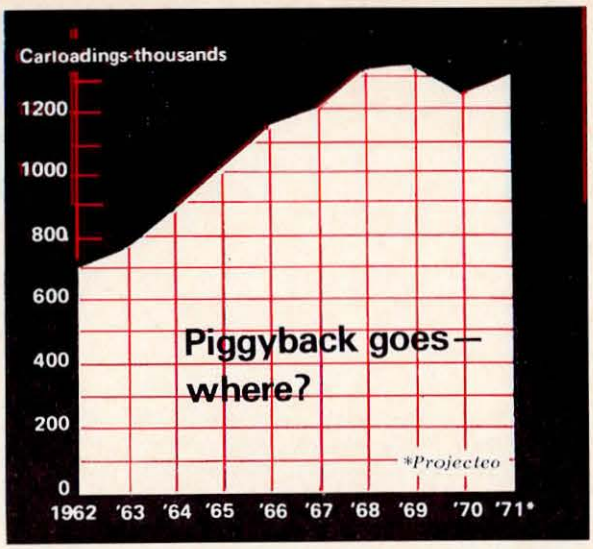
CITY_____ STATE_____ ZIP_____

TELEPHONE NO._____

Mail to: Ernest Holmes Company / 2505 East 43rd Street Chattanooga, Tennessee 37407 Dept: RA-1
Phone: 615-624-0031 / Attn. Mr. W. Frank Thomas

TOFC/COFC:

"A better class of traffic" is needed for new growth



A MODEST UPTURN could be in the cards for '71 if the national economy recovers. But any solid gains will require a more solid traffic base.

This troubled year, 1971, may be a time for decision-making—and the development of a more solid, lasting traffic base—in piggyback.

Growth is gone—growth, at least, as it once was known. Not since 1968 has there been a significant increase in trailer/container traffic. In '69, TOFC/COFC leveled off. In '70, it dropped (though revenues, reflecting rate increases, showed a different curve).

What about 1971? Again, volume is nothing to brag about. But revenues appear to be holding up. And the TOFC/COFC future is being newly built on what one top piggyback salesman calls "a better class of traffic."

● **Problems ahead.** Projected traffic gains, however, won't come without a fight—for a number of reasons:

—Much of the big-block TOFC/COFC market has already been solicited and converted to piggyback. As one sales officer puts it, "We used to be able to make one call and get 400 trailers. Now we make 100 calls to get 200 trailers."

—Motor carriers remain only mildly enthusiastic about the marriage of rail and road. Again, it's a salesman talking: "We're calling on the truckers. And they're telling us that regardless of the service we can offer, we're not going to get anything but their overflow business."

—The freight-forwarder business has been hard-hit and this is showing up in forwarder use of piggyback. Here, at least, there's an offset, in the growth of shipper associations and agents and in their increased use of TOFC/COFC.

—In some quarters, there's a suspicion that piggyback has become "just another part of the business." A non-railroader raises the question: "Where's the creativity gone? What's happened to the old willingness to invest in expansion?"

● **What the figures do—and don't show.** Actually, it's more than a little difficult to determine just what *is* happening—or has happened—with piggyback. Year-to-year comparisons are fuzzy and, in fact, 1970 figures are being corrected to eliminate the effects of faulty loadings data involving Penn Central. Too, there were labor problems in the trucking industry a year ago, and this makes even recent comparisons somewhat misleading. Finally, on at least one major road, the whole business of measuring piggyback is under scrutiny—because, the top TOFC officer says, "I just can't believe the bottom fell out the way the figures seem to say it did."

For what it's worth, the industry TOFC/COFC tabulations now seem to indicate that 1970 was a little worse than it was first believed—but that 1971 may be a little better. As matters stand, '71 carloadings are running about 3.7% behind 1970 figures, while the trailer/container count is down by about 4.6%. The only figure on the upside is mail/express carloadings, with a gain of less than 2%.

For the year, however, there's some reason to believe that a modest upturn can be fashioned out of a projected improvement in the general economy.

● **On the upside:** Even now, there are several areas of strength. In the Southwest, for instance, Missouri Pacific is a bit better than holding even with 1970 performance. And Frisco is reporting sizeable gains in Plans 2 through 5—with trailer loadings up by 6.8% for the first four months of '71 and revenues up by more than 20%.

A similar story comes out of the Southeast. Southern came through the first quarter with an 8.1% increase in trailers/containers and an 11.4% gain in revenues. And Seaboard Coast Line is showing an increase of 1%-plus in trailers handled—despite a sequence of events that produced losses in several key TOFC accounts. The biggest single factor here was Tropicana's switch from piggyback to carload unit-train movement for much of its traffic. But SCL also lost a good piece of business when Sea-Land extended ship service and cutback on a Jacksonville-Miami piggyback move. And there have been decreases in both forwarder and motor-carrier business. Broad-based traffic development (along with substantial increases in piggyback movement of glass bottles and jars) have been the offsetting factors that have enabled SCL to weather the storm—and it's this same kind of broad-based strength that will be the key to a TOFC/COFC upturn nationally this year.

For the short-haul, traffic growth may also depend upon how effectively railroads are able to move in keeping rates competitive and improving service. With the recent series of rate increases, there's no doubt that some business has been lost—and adjustments in rates may have to be made, if the traffic is regarded as worth regaining. Motor carriers have also taken rate boosts—but the net effect of the truckers' increases and the railroads' increases seems to be a stretching out of the length-of-haul over which highway carriers can compete successfully with piggyback. Coupled with this economic factor is a certain slippage in TOFC/COFC service quality—reflecting the cost-consciousness which was inevitable as a result of the general economic decline.

● **"Too much logic."** Over the long

haul, however, TOFC/COFC people refuse to be discouraged, and the reasoning runs this way: "There is simply too much substance, too much logic to the concept for it to fail. If we can't harness the economies of operating a train of trailers, and do it at a profit, then we don't belong in business."

In some areas, though, there are lingering doubts about the extent to which the industry really believes in TOFC/COFC. From the inside comes an observation that "management still has not made a firm commitment to piggyback. What we get, I'm afraid, is a kind of lukewarm, half-hearted commitment— and that's not enough." From outside the industry comes a parallel thought: "When piggyback was just beginning to grow, 10 or so years ago, there were a lot of creative people attracted into the business—because it was new and because it did seem to have an exciting potential. But then it got big enough to be noticed. And when that happened, I'm afraid some of the creativity was lost—and piggyback fell under what, for want of a better term, you might call the old-line way of doing things."

Even the most dedicated piggyback enthusiast, however, would concede that in the traffic-building drive of the '60s, quality was sometimes overlooked in favor of quantity. And on most roads, the weeding-out of unprofitable traffic has been a continuing thing. Last year, with costs climbing and profits plunging, the process was intensified—helped along, no doubt, by the rate increases.

The rate situation will change. Among the moves that may help: Approval of new reduced Plan 2½ single-trailer rates in the South. Louisville & Nashville, for one, expects these rates to generate more business —in a plan which already accounts for about 65% of the road's piggyback traffic.

● **How about import/export?** Gains are also showing in import/export traffic—but not everybody is convinced that this category of business will live up to its assumed potential. On the one hand, U.S. roads (particularly those in the East) come under fire for failing to develop a "progressive" rate structure covering movement of containers in international trade. (Canadian roads are the "good guys" in this comparison—and, in fact, the Canadians have been steadily building international traffic.) On the other hand, there is this comment from a TOFC/COFC sales officer: "Import/export freight? I'm not sure it's the boon some people say it is—either in terms of volume or of profitability. We're handling a fair amount of this business, but we don't see any great increase coming. One problem still is that if you put the rates low enough to attract the traffic, you're not really making anything for the railroad."

Even in the area of TOFC/COFC equipment, new differences may be developing—though certainly not in the context of any shortage of equipment.

For one thing, there's a fear that with piggyback flat-car demand down, cars will be used for other loading—and when TOFC demand does revive, there may be mechanical problems with damaged hitches and/or the removal of "jewelry" that's been attached to cars used in other-than-piggyback service.

● **More supply than demand.** On the trailer side, the problem might be summed up in two words: Current oversupply. Observers see a parallel between the situation that has developed in trailer supply and the situation that developed about five years ago in freight-car construction capacity.

One TOFC man says: "A lukewarm, half-hearted commitment to piggybacking is not enough."

Five years ago, when railroad freight-car ordering really took off, there was a rush to enter the business to get a piece of the increasing action. But when railroads found they couldn't sustain car-buying at peak levels, not all of the newer and smaller builders were able to stay in.

Much the same condition exists in the trailer marketplace. The top officer of a major lessor sizes it up this way: "Over the past five years or so, with an expanding market, there were opportunities for a number of small companies to come into the business to lease out a few hundred trailers or so. Several smaller railroads were also taking on large numbers of trailers to float in per-diem service.

"It's hard to say whether these small operators intended to stay in for the long-haul. In any event, it seems that everybody saw a long curve of piggyback growth—and didn't reckon with the short-term ups and downs. In other words, they didn't appreciate the economic value of idle equipment—though they may, now."

Newcomers to the field, this lessor points out, were not offering service with their leases. Consequently, rentals could be lower. At the same time, the lessors had little cushion for bad times: "If you're offering service with a lease and a trailer is off-lease, you can cut the service cost. But the ownership expense is the big one. You can't cut it. And, since profit margins in this business are not great, you find idle equipment draining profits from the equipment that is in service. Actually, you have to be making a profit on quite a number of units to support one that's idle."

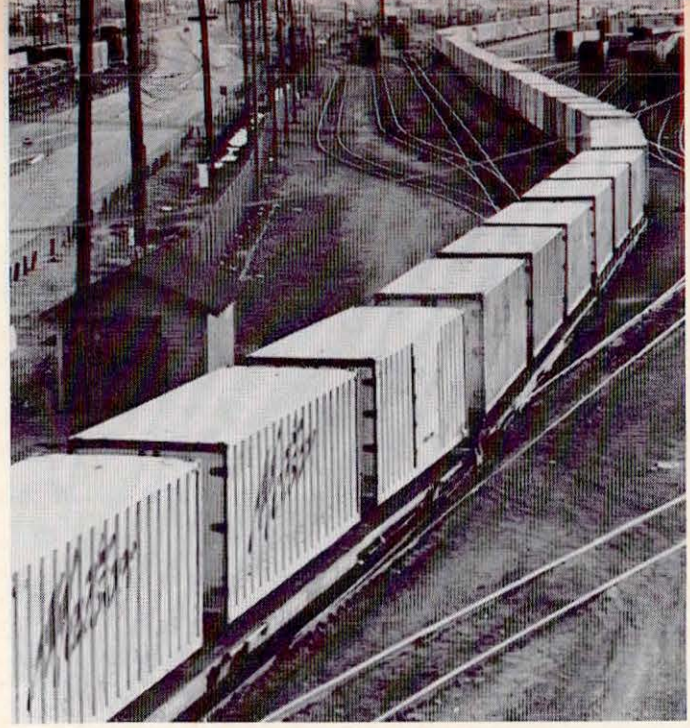
● **Where it is, where it's going.** So, over-all, the TOFC/COFC business heads toward the mid-point of 1971 in a somewhat troubled state. These observations might be made:

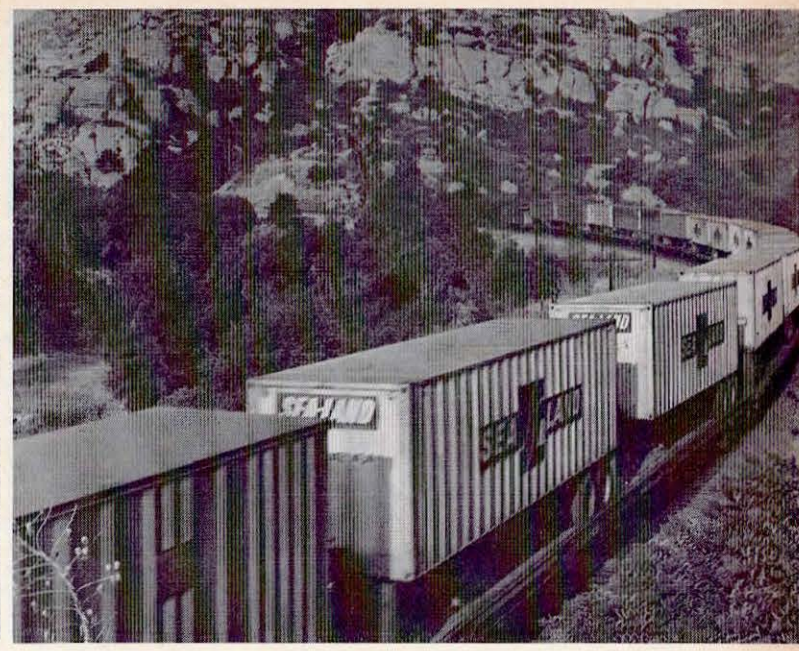
—At best, piggyback will wind up the year with a gain of a few percentage points, depending upon the usual variables: The economy, for instance, and the presence or absence of labor problems.

—If TOFC/COFC reflects the economy as many believe it does, the outlook is reasonably bright for late-1971 and beyond. The most recent Commerce Department survey (covering first-quarter '71) shows an economy expanding "even faster than previously indicated." Commerce found it necessary to make an upward revision in the projected increase in GNP. And, the Department reported, "Another major indicator of our economic health, corporate profits, recovered sharply in the first quarter." Commerce's conclusion: "The major economic signs point to . . . a major business expansion."

—Rate adjustments will continue to be made at both ends of the market, to encourage movement of that "better class of traffic" which everybody wants. Hopefully, service adjustments can also be made, in areas where piggyback has fallen behind in competition with motor carriers.

TOFC/COFC still has a long way to go, if it's to live up to the glowing projections made for it in past years—projections that see piggyback accounting for far higher percentages of rail volume and revenues. At the same time, current frustrations shouldn't obscure the fact that TOFC/COFC has already come a long way. How long? Well, a few weeks from now, there's going to be a ceremony in St. Louis. REALCO Services will be making a presentation of the first piggyback trailer it ever put in service—a presentation to a transportation museum. That first trailer was acquired just 10 years ago. Since then, the REALCO fleet has grown to 22,260 units—and it's still growing.





CONTAINERS AND TRAILERS both have big roles to play in SP's long-term plans for its piggyback services.

Putting profit into piggyback

SP wants—and is winning—volume. But the big emphasis is on making every TOFC move profitable.

By Fred Houser, Mechanical Editor

Two weeks ago a team of top Southern Pacific executives returned from what has become an annual solicitation of international traffic in the Far East. Two years ago SP created an International Traffic Department to handle such marketing and sales while coordinating the rail and truck services involved.

Both activities point up the importance which SP attaches to international traffic. Actually, freight moving into or out of the U.S. via SP has produced a consistent 10% of its volume for decades. What has changed in recent years is the containerization of a substantial volume of this haulage.

International containerization is only one phase of the road's "intermodal" activities that involved movement of almost a quarter million trailers and containers during 1970. "Last year piggyback accounted for about 10% of our freight traffic," says F. E. Kriebel, vice president-traffic. "We expect piggyback will continue to grow to perhaps as much as 20% of our traffic in 15 years."

SP certainly does not anticipate that a growing proportion of piggyback traffic will be achieved because the number of carloads it handles is destined to decline. If it were forecasting only a diversion of present box-car traffic into trailers, it would not be undertaking construction of a classification yard at Colton, Cal. (RA, March 29, p. 11) nor studying the possibility of electrifying its mainline from that point to El Paso, Tex.

Kriebel is just being as optimistic about SP's future as he is about the territory it serves. For instance, a recent market study shows that gross product originated in the territory served by SP's Texas and Louisiana Lines should increase an average of 4.4% annually during the next 15 years. Economic and social forecasts indicate continuing population and industrial growth in the West.

Soon after SP started piggybacking in 1953 (it handled 13,500 trailers that first year), it became apparent that managerial controls established initially were inadequate and that there would have to be greater emphasis on profitability—steps which some other roads did not take until comparatively recently.

For well over a decade, SP has been striving to control costs and to assure that each TOFC move will return a profit. Cost guidelines are updated every six months. Sample movements are then subjected to analysis to insure they have not turned "sour." With a uniform traffic pattern and good volume, properly priced TOFC/COFC traffic can be consistently profitable, says Kriebel. And while high-rated commodities may move piggyback, it does not automatically produce the greatest dollar volume.

As SP's TOFC/COFC handbook puts it: "The purpose is to give shippers and receivers a more flexible method of transportation that can effectively compete with common-carrier, exempt, contract and proprietary truckers, and at the same time, preserve existing regular carload traffic."

Piggyback is the special responsibility of D. W. Wicks, manager, trailer-flatcar traffic. But each SP traffic representative sells all the road's services, including TOFC/COFC, which thus constitutes another product line that can be offered to any existing or potential customer. Piggyback operations are the responsibility of the Trailer Container Flatcar (TFC) Services Department under T. A. Fante, general manager, TFC Services, in San Francisco. This TFC Service organization is jointly responsible to the operating and traffic departments, and to SP's highway subsidiaries such as Pacific Motor Trucking. An assistant general manager, TFC Services, in San Francisco has jurisdiction over Pacific Lines. Another in Houston, Tex., covers Texas and Louisiana Lines, and the Cotton Belt.

Vice President Kriebel comments on

"the strange forces which are coming into play in piggyback." He notes that with transfer of SP's remaining passenger trains to Amtrak on May 1, all its mail traffic now moves in freight trains and that SP has been "a real pioneer in piggyback mail handling." At a time when it seems that shorter containers will be phased out in favor of ISO 40-foot configurations, truckers are showing increasing interest in 27-foot trailers, since some states have given clearance for operation of three such units behind a single tractor.

After several trips to Japan by SP executives, a study team recently was sent to Europe to learn first-hand about European intermodal transportation—including technology, equipment and marketing. A detailed evaluation of the British Freight-Liner concept, a highly reliable rail-container service designed to compete directly with short-haul trucking operations, was part of the investigation. All this, according to Kriebel, "helps us plan and successfully implement newer, more competitive services which will meet our customers' intermodal requirements and produce profits for the Southern Pacific Transportation Co."

SP has available a standard range of piggyback plans (see box), although restrictions on labor productivity make it virtually impossible to be competitive in most hauls under 500 miles, particulary in California with its highly developed freeways and minimal rate regulation. One result of this was a cessation of Plan 2 service in California at the beginning of 1970. Plan 2½ which was then instituted has not yet filled the gap.

No matter how well line-haul costs are controlled (and even these have gone up "alarmingly" recently), any TOFC/COFC service involving railroad pick-up and/or delivery service has built-in productivity and cost problems that make it increasingly difficult to price such services profitably and competitively (the fate of California Plan 2).

All this is reflected in the changing pattern of SP's piggyback traffic in the 1965-1970 period. On a volume basis it went this way:

PLAN	1965	1970
1	18%	10%
2	60%	44%
2½	0%	9%
3	0%	1%
4	17%	22%

NOTE: U.S. mail carried amounted to 5% in 1965 and 14% in 1970.

Looking five years ahead, K. E. Bosanko, manager, traffic research, sees more and more of Plans 2½ and 4 with the railroad functioning primarily as a line-haul subcontractor, the role it fills best. Even here, he notes, "the ability to produce economical ton miles of transport service is limited by obsolete labor agreements. Work rules so constrain our capital and labor productivity that we could be placed in a steadily worsening situation as highways and trucks improve."

SP's PIGGYBACK PLANS

PLAN 1. Railroad carries truckers' trailers under contract ramp-to-ramp, including loading and unloading, under rates in motor carrier tariffs with billing done by trucker.

PLAN 2. Railroad carries its own trailers and includes pick-up and delivery under regular TOFC tariffs with billing done by the railroad.

PLAN 2¼. Corresponds with Plan 2, except the railroad either picks up or delivers, but not both.

PLAN 2½. Corresponds with Plan 2, but shipper and receiver perform own pick-up and delivery from and to ramp sites.

PLAN 3. Railroad carries shipper- or forwarder-owned or leased trailers under ramp-to-ramp rates with no pick-up and delivery service.

PLAN 4. Corresponds with Plan 3, but shipper or forwarder also provides the flat car and railroad makes a flat charge for empty or loaded movement. No pick-up or delivery is performed.

PLAN 5. Railroad and trucker are partners, each performing part of service under joint or other combination rates in railroad or motor-carrier tariffs.

When SP encounters a situation where its piggyback rates return no profit, it tries to meet with the shippers involved to work out the problem. The goal: Moving traffic in a way that is acceptable to the shipper while simultaneously returning a profit to SP. SP offers a number of advantages, compared with smaller highway operators:

— A large pool of all types of trailers that can handle volume shipments even though there may be a temporary imbalance of equipment;

— A line-haul service seldom affected by weather;

— Five service plans that could be applied to tailor the service to the requirements of the commodity and shipper.

SP feels that Plan 2½ or Plan 3 may be particularly effective in countering special distribution situations presented by private carriage. However, the problem is further complicated by the fact that many proprietory truck operators may not have cost accounting that is sophisticated enough to truly present their actual transportation costs.

Intrastate regulation and roadways in California have cut heavily into SP's share of the Los Angeles-San Francisco trailer handling (480 miles). But, its 425-mile interstate service between Los Angeles and Phoenix, Ariz., proves to be attractively priced and has a substantial volume although it is not time-competitive with highway haulers.

ICC-regulated pricing and SP's high-speed freight trains make the road fully competitive over the 715 miles between San Francisco and Portland, Ore., a route on which TOFC traffic is increasing. Another attractive "on-line" market is between California and Texas, particularly as California becomes increasingly a producing, as well as a consuming, area.

While SP's subsidiary Pacific Fruit Express has a fleet of some 2,700 refrigerated trailers, Don Wickes feels there will be relatively little further change in handling perishable traffic. Today's mechanical refrigerator cars are such effective vehicles that trailers are hard pressed to compete. However, PFE's meat-rail-equipped trailers are able to handle fresh fruits and vegetables eastbound and packinghouse products westbound, meeting the competition of exempt commodity truckers.

Pacific Forwarding Express, a division of PFE, was established to provide service for single-trailers shipments of fresh perishables to small markets, acting as a consolidator/forwarder to counter the competition of exempt highway haulers.

Substitution provision

Another specialized SP trailer service is its "substitution" provision which, during periods of trailer surpluses and boxcar shortages, permits supplying a pair of trailers in lieu of the box car the shipper ordered. This service is at the railroad's option and is performed when trailers are in oversupply at the origin and are needed in the destination area. The arrangement is used regularly on the Pacific Lines.

Even individual trailers are getting bigger. For low-density loads, vans of up to 2,700 cubic-foot capacity are used today. Drop frame trailers are not universally acceptable, however. Some high-cubic capacity vans present special loading problems and will not even fit at certain customers' docks. Larger trailers have been a factor in controlling costs over the past decade.

Among the other developments which have represented significant cost controls:

— Palletization by shippers, which speeds both loading and unloading of trailers;

— Concentration of railroads on ramp-to-ramp service which they perform most effectively;

— Improvements in equipment including cars, trailer handling equipment and terminal layout.

As industry continues to decentralize and as industrial sites on rail sidings are filled, new plants will not have direct rail service and hence offer a prime market for future piggyback. In addition, the prospects that some rail mileage will be abandoned across the U.S. provides another area of potential TOFC growth.

Right now, domestic service seems to mean "trailers." Could that become containers? It could if there would be a substantial two-way volume between major population centers and this were combined with special terminal facilities at both ends, which could assure efficient loading and unloading. Another goad to containerization would be development of flatcars able to carry these boxes double-stacked, reducing the number of railroad cars required to move a given tonnage.

Right now, however, international traffic is where the container action is. All ship lines can handle them; most own hundreds or thousands of containers. P. Stinson, general manager, international traffic, summarizes the reasons for containers:

— Protect goods while minimizing packaging;

— Prevent pilferage;

— Reduce vessels' port time.

To the present, the shipper has had all the benefits, says Stinson. He spells these out: No investment in equipment; simplified packaging; no loss or damage; LTL/LCL shipper can benefit from C/L rates. However, it appears that some adjustments will have to be made.

Ship lines are beginning to seek greater return from their huge investments in containers. Railroads are moving the boxes at rates which did not anticipate an empty return movement. As early 600-pound tare weight plywood containers have been replaced by 4,000-pound metal containers, often the payload-to-tare ratio has declined.

Who benefits?

When Frank Kriebel looks at the situation, here's what he sees: Containers have worked wonders for steamship lines by reducing shipboard and port costs. Related plant and equipment have been tailored to steamship/truck activities with truck delivery usually being made in the immediate port area. Containers have been used primarily as a more efficient way to load and unload ships, while the actual flow of goods remains in traditional pre-container patterns.

And Pat Stinson adds that containerization inevitably loses at least one day in the course of transfer from ship to either rail or highway. Problems of customs clearance further complicate the situation.

Although railroads and steamship lines would appear to be logical partners in intermodal trade because both move large volumes at low cost, progress has been slow. SP handled some 9,000 intermodal container in 1969 and this rose in 1970.

There have been occasions where a container routed inland by rail from a port has been held by a foreign-flag carrier that refused to allow it to move to destination. This forces the physical transfer of the lading to another container, nullifying the inherent values of containerization. Liability is also unresolved. "The present shipper practice of spreading this risk throughout the transportation industry has been a constraint on intermodal traffic," observes Kriebel. He notes that shippers control packaging, loading and other facets which ultimately affect loss and damage risks. What is needed, he feels, is a re-evaluation of traditional liability positions which could go far in stimulating internation intermodal traffic.

One step which must be taken is formation of equipment pools for overseas destinations, without regard to container ownership. SP has suggested St. Louis as a logical point for the center of the nation. An immediate benefit for such pools would be a significant reduction in excessive empty moves that now plague water-rail container moves in the U.S.

Containers such as Matson's 24-footers and Seatrain's 27-foot models are so much smaller than domestic trailers that they are not readily usable in domestic service. Greater standardization in sizes could eliminate problems such as transloading, crosshauls and empty movements.

SP concedes that easing the container transition is a two-way street. "Equitable per diem rates, detention-schedules, repairs, policing of the physical return of containers and division of charges must be standardized and observed so that the container owner is protected," says Kriebel.

An intermodal group of rail, water and truck representatives, with the cooperation of the U.S Department of Transportation and the Federal Maritime Administration, has been trying to develop uniform intermodal agreements. SP expects that the role of international freight forwarders will be greatly expanded in the future. While this group has not had the wide publicity given "land bridge" operators, it is predicted that substantial quantities of small lot shipments can be efficiently consolidated. International forwarders can then utilize the best of schedules, rates and equipment offered by steamship and land carriers. Recently an ICC examiner's report recommended that contract rates be made available to freight forwarders. ■

Remember land bridge?

Southern Pacific's F. E. Kriebel remembers land bridge and two years ago he was predicting at Northeastern University that North America was not about to become the land link between Asia and Europe. Despite new container ships, advanced port handling equipment and unit trains, "technology alone cannot make a successful land bridge," Kriebel told an International Marketing Seminar. "Even super-salesmanship is not going to make it happen."

He sees no land bridge "as long as thousands of shippers, receivers, transportation companies, port authorities and other components exist separately, with each continuing to measure its own success in terms of autonomous action producing individual corporation sales, profits and other accepted yardsticks of international activity."

Among other reasons that land bridge prospects were (and are) not bright, Kriebel mentions the following:

— Imbalance of movement with more cargo going eastbound than westbound;

— Differences in transit time not great enough to justify a substantial inventory cost benefit;

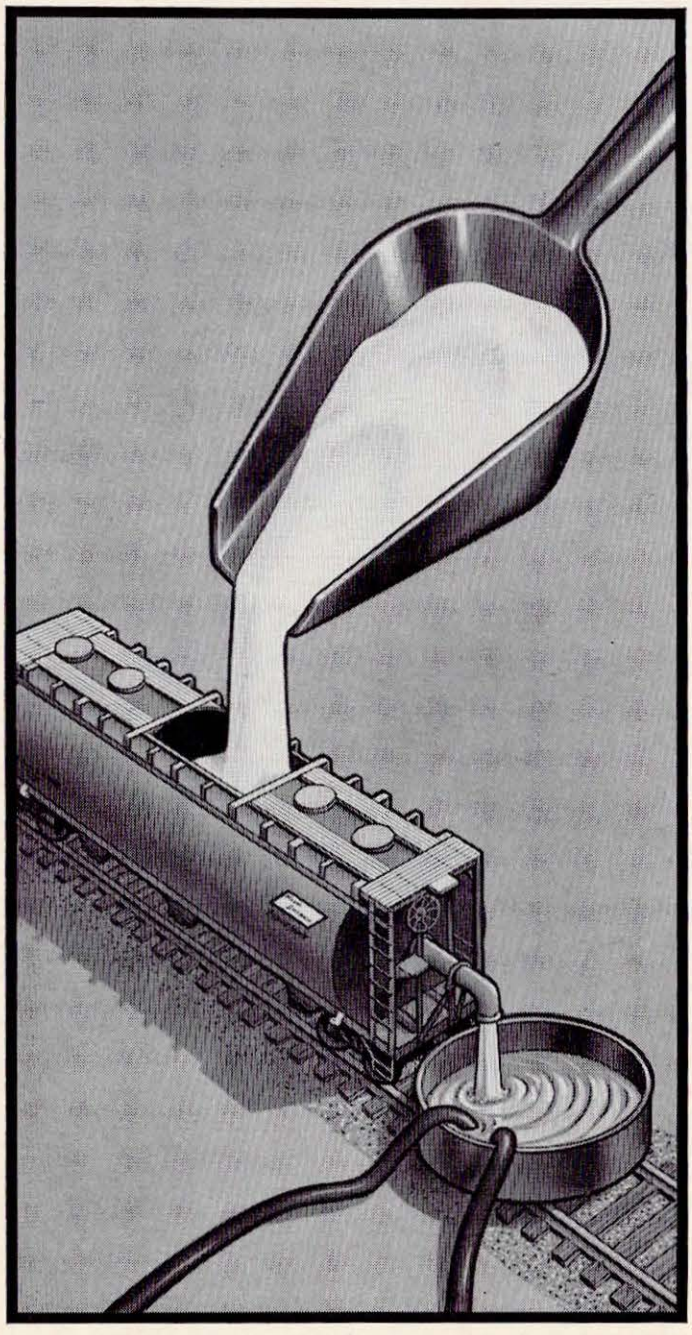
— Logistical requirements of coordinated sea-land-sea movement would be "colossal";

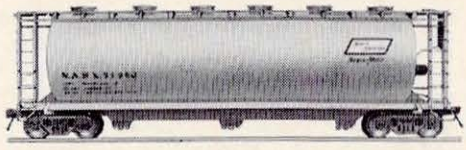
— North America's labor problems, which could tie up overland containers and wipe out all the benefits.

"While we will continue to work for such a method," concluded Kriebel, "what excites me more is the wide range of possibilities for moving U.S.-originated or U.S.-destined shipments by well coordinated intermodal transportation. I view this as a *modified* land bridge type operation involving the use of inland rail service to displace second or third ports of call, a method which can improve ship operating profits and make available to shippers a faster and better service."

Thurston Greene & Co. finds you can ship sugar dry and unload it wet

Another example of North American Car innovations that turn demanding customers into happy working partners





Sugar shipped in bulk as liquid sucrose is easy to handle, but approximately ⅓ of it is water which costs as much to ship as sugar does.

Thurston Greene & Co., well-known sugar brokers, figured there must be some way to ship sugar in bulk without paying for hauling all that water around.

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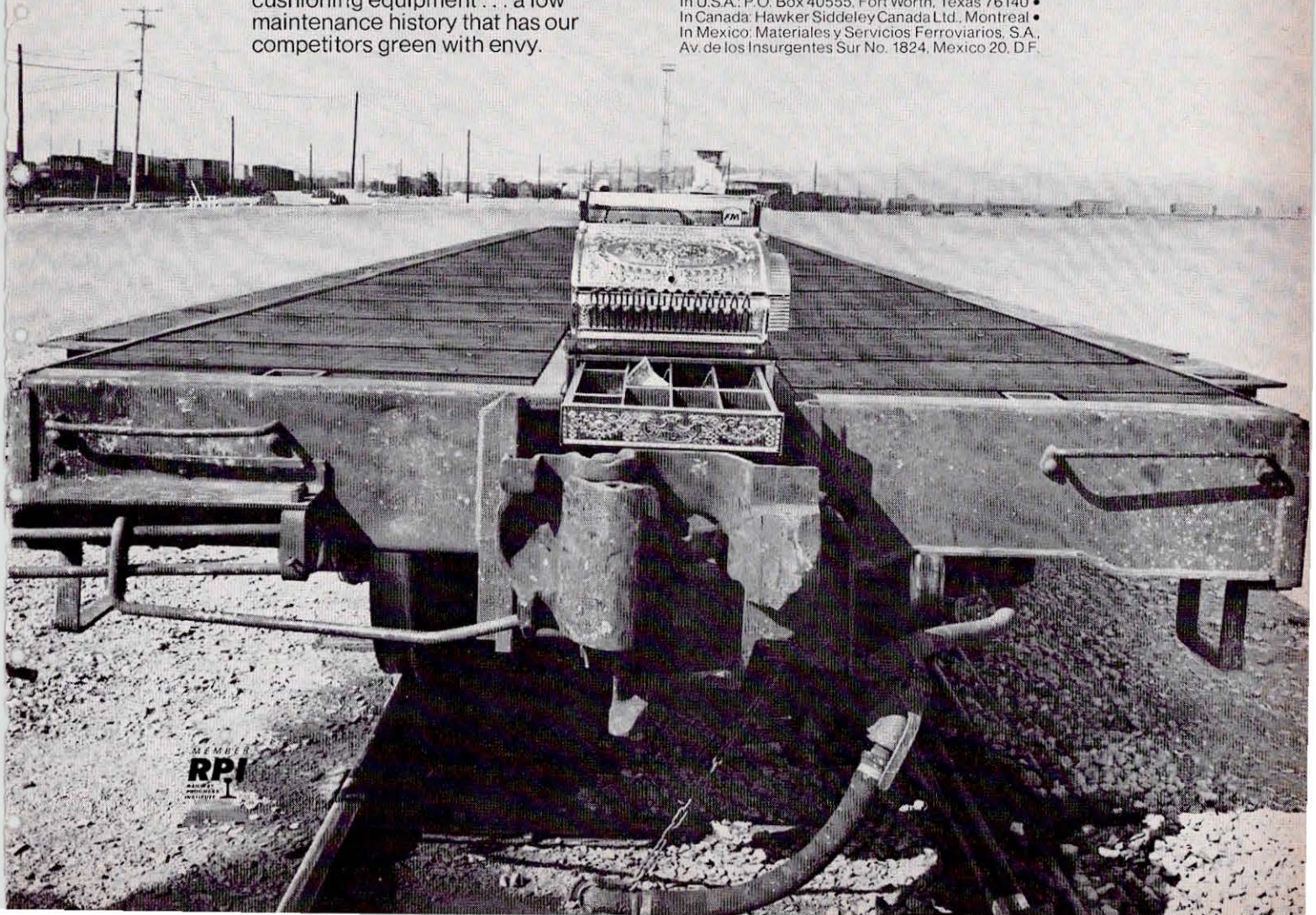

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Circle 39 on coupon page 47

"Building for the future," MP boosts its capital outlays

One of the few railroads to do better in 1970 than in '69 also expects to do better in 1971 than in '70. But, Missouri Pacific President Downing B. Jenks told shareholders, it won't be easy.

MoPac, however, has a couple of things going for it:

—First-quarter revenues were up by $14.4 million, while expenses (largely the result of higher labor costs) climbed by $9.6 million. Consolidated net income rose from $5.1 million last year to $6.7 million.

—As of March 31, MoPac had $56.8 million in cash and temporary, short-term investments (before payment of $10.5 million general and debenture interest due April 1). At the end of last year, the comparable figure was $52.8 million. At the end of 1969, it was $41 million.

—With the outlook improving, MP has boosted its capital-expenditures program from about $40 million, budgeted at the beginning of the year, to $63 million. And, Jenks says, "the final figure for the year may run even higher than that. Thus far, we have ordered 2,200 freight cars and acquired 25 locomotives. It is quite probable that we will order additional cars, because we have had shortages."

On a couple of occasions, MP's president returned to the property-improvement theme: "To insure future growth and success, it is imperative that we continue to invest heavily in new freight cars, locomotives, yards, shops and other physical facilities. We must also maintain our property at a high level in order to handle a constantly increasing traffic load. In 1970, we spent nearly $56 million on capital improvements. Since 1961, this investment amounts to more than $600 million. We will have to continue this program at an even higher level this year. We have been catching up in the past years. Now we have to spend money to build for future increases in traffic."

For the record

Responding to Railway Age's April Traffic Poll, A. M. Rogers, director of traffic for Scovill Manufacturing Co., Waterbury, Conn., commented: "We have diverted up to a million pounds per month to trucks due to rail car shortage." In the published article (RA, April 26, p. 24), Mr. Rogers was incorrectly identified as regional distribution manager for Union Carbide Corp., San Francisco.

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Circle 18 on coupon page 37

Supers to take a hard look at employee morale

AARS asks: What's wrong? And what can be done about it?

Operating officers will be debating intangibles and tangibles when the American Association of Railroad Superintendents meets June 15-17 in Montreal.

Discussion will cover a couple of more-or-less usual subjects—freight-car distribution and operating rules. But the superintendents will also be going beyond the usual—for a searching look at today's employee-morale problems and for a probing look at railroads in 1980.

On the morale question, a committee headed by Southern's H. R. Thomason pulls few punches in sketching the situation today, telling how it developed and offering pointers for improving it.

• **Morale starts to slide.** Interestingly, Thomason's group pegs World War II as the real beginning of a morale decline. Before the war, the committee says, rail-employee morale was the highest—but "during World War II it began to slip for a variety of reasons: Reduced qualifications on account of manpower shortages, the premium wages being paid by other industries, the stepped-up militancy of labor organizations and their increased use of the National Railroad Adjustment Board, a relaxing of discipline also due to manpower shortages, and the failure of railroad wages to keep up with those in other industries."

By the time the war was over, employees and their organizations had gained a foothold in the discipline and contract-violation areas from which they could not be dislodged, "due to adverse NRAB awards and our own ineptness in the labor-relations field."

• **Combination of causes.** Today, the committee believes, morale suffers from two basic causes—the railroad environment and dissension between railroads and unions. Among the specific factors cited:

—As a primary thing, "the feeling of insecurity."

—The post-war pattern of wage increases, which tended to reduce differentials between skilled and less-skilled.

—The cash squeeze on the industry, which led to a certain deterioration of the plant and, in turn, to employees being in "the position of working in environments less desirable than those existing for people performing comparable work in other industries."

—The seven-day-a-week, 24-hour-a-day nature of railroad operations, which runs counter to the prevailing social structure with its five-day, daylight work week with weekends off.

—A tendency "to accept from employees far-less-than-perfect performance [which] has in many instances resulted in individuals becoming slipshod. This erodes the pride that the railroad worker has traditionally taken in his work."

—Perpetuation of contractual agreements with built-in make-work provisions, which "robs many individuals of their desire to produce efficiently."

—An assumption "generally made by supervisors that wages alone are sufficient motivation for good performance by an employee. As a result, there is frequently a failure to use other approaches to motivate individuals to produce efficiently. The practice which has become firmly entrenched of providing wage increases regularly through union bargaining has had the effect of virtually removing money as a motivation. Certain segments of employees, without other stimulants, are content to mark-time in their positions."

• **Emphasis on communication.** What can be done about morale improvement? Certain changes, the committee points out, lie beyond railroad control—changes, for instance, involved in the ASTRO recommendations and in collective bargaining procedures. But the industry itself could improve its employee-training programs, intensify its emphasis on the need to provide a quality service, and expand its public-awareness programs. And, the committee feels strongly that "improved methods of continuous communication from management to the employees to provide more information on the status and objectives of the industry as a whole and of the individual companies would considerably improve the attitude of the average worker. The traumatic effects of mergers and technological changes could be controlled by clearly communicating to the employees the reason for change, the contribution the change will make to the industry, the direct or indirect effects it will have on the worker's situation, and the areas in which the employee can contribute to help in attaining the benefits to be gained by the change."

• **Looking toward 1980.** Like the morale study, the "railroads in 1980" study winds up on a positive note—though the committee, headed by CP Rail's W. W. Stinson, observes that "the turmoil of the industry in 1970 has raised the real possibility of nationalization of at least some railroads by 1980 and the certainty that the industry will experience upheavals in the decade of the '70s unprecedented since the 1930s."

Over the next 10 years, Stinson's group sees a number of likely technological developments:

—Electrification of high-density commuter lines and heavy-traffic freight main lines.

—Widespread use of mid-train remote-controlled power and of on-board locomotive trouble detectors.

—Possible increased use of six-axle freight cars, and the development of the combination covered-hopper/box car.

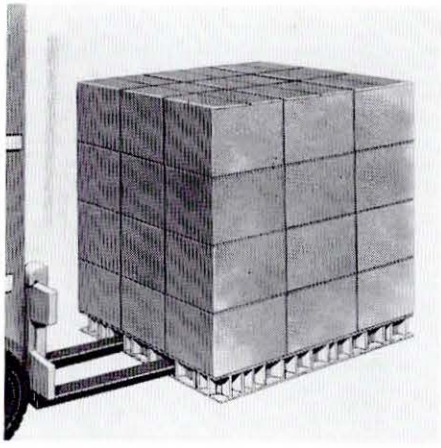
—Allocation of a substantial part of available research funds to development of an improved track structure.

• **Changing operations.** Operating concepts and methods will also be changing. In the past, the committee observes, "too many operating decisions and the information backing those decisions have been based solely on labor costs, disregarding ownership and opportunity costs for equipment. In 1980, we see operating officers making decisions based on cost information which properly reflects the twin necessities of service to our customers and equipment utilization."

Over in the area of the tangibles, AARS will be getting two strong pleas from two other study committees—one, from a group led by AAR Car Service Division Chairman W. H. Van Slyke, for a total-systems approach to freight-car distribution; and the other, from a committee headed by Chicago & North Western's F. R. Van Schwartz, for a modernization of operating rules.

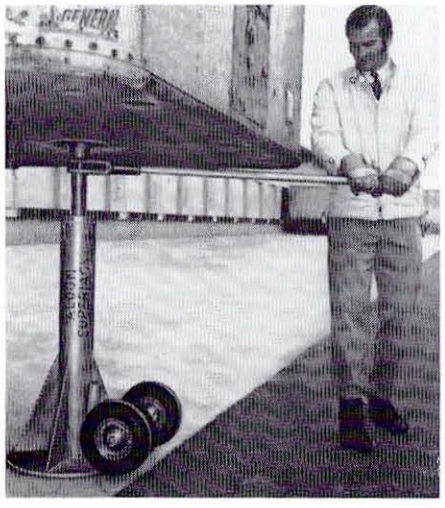
In between discussion sessions, AARS will alo be listening—with addresses scheduled by CP Chairman N. R. Crump, Canadian National Vice President-Transportation and Maintenance K. E. Hunt, and D. H. Jones, chairman, Railway Transport Committee of the Canadian Transportation Commission. ■

New Products Report



Lightweight pallets (RA-1)

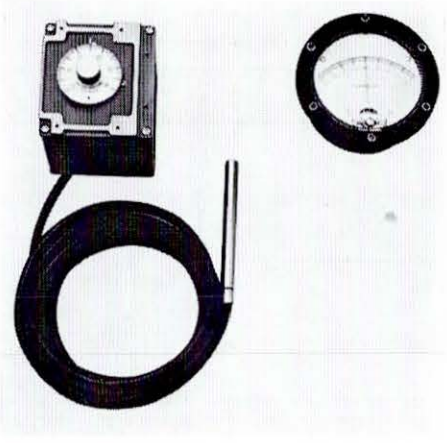
Pal-Kor pallets, lightweight yet extremely strong, are made of cellular corrugated honeycomb. Completely assembled, they are shipped from the factory ready to use, without runners to align, without legs or supports to attach or break off. The pallets, light enough to be picked up with one hand, will support over 4,000 lb of well-balanced, evenly distributed weight. Their extraordinary deflection and beam strength comes from the manufacturer's exclusive method of laminating by which the honeycomb structure is glued along all edges directly to both deck sheets. Because of their great rigidity, Pal-Kor pallets are ideal for products or manufactured items packaged in containers and for almost any type of goods shipped with relatively even surfaces and well-distributed weight. *Down River Packaging Corp.*



Trailer stabilizer (RA-2)

The all-new Super-Jack is built for the extra-heavy-duty jobs of trailer stabilization during loading and unloading. Super-Jack, of all-steel construction, has a lifting capacity of 50,000 pounds, with a supporting capacity of 10,000 pounds. It is operated easily by an extra strong ratchet screw assembly.

The unit is used to stabilize loads and insure against trailer dolly wheels collapsing when loading or unloading and when using heavy equipment, such as lift trucks. It is also an effective leveler at the loading dock. *The Aldon Co.*



Temperature controller (RA-3)

The Type EL 975 failsafe solid-state temperature controller for refrigerated transport is said to satisfy the switching requirements of the most sophisticated refrigeration systems and to retain a calibration accuracy of ± 0.25 deg F even under the roughest operating conditions and ambients of -70 to +180 deg F.

No recalibration maintenance is ever needed, nor is calibration of a new sensor if replacement is necessary. If power fails, probe becomes erratic, or if probe lead wires are broken, the controller goes into a desired switch mode.

The unit, which may be custom engineered to meet special transport requirements, uses two SPDT or DPDT relays and an inverter circuit to perform both control and high- or low-limit switching tasks at up to three separate temperature set points.

Options include heater lock-out switch, local or remote indicating meter, Milli-volt battery operation, detachable sensor and indicating meter. *United Electric Controls Co.*

Air dump car (RA-4)

Shuttling back and forth from a loading facility which incorporates an overhead car tipper, the single Difco

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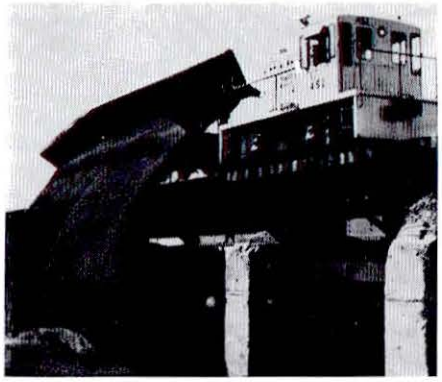
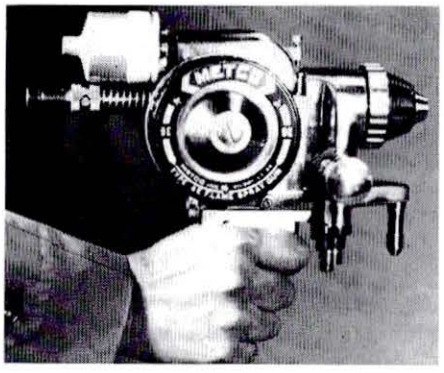


side dump car used by Armco Steel at its Ashland, Ky., plant, is said to handle up to 118 loads (35,000 tons) of iron ore pellets each 8-hr shift in an 8-second dumping action. The 100-ton-capacity car, with a 50-degree self-cleaning dump angle, dumps to either side "on the move" from an elevated trestle. *Difco, Inc.*



Flame spray gun (RA-5)

A newly designed combustion system in the Type 9E flame spray gun is said to spray more zinc and aluminum for anti-corrosion coating than any other hand-held gun. Dwell time in the flame is increased even when the wire is being fed at highest speed. Material waste is minimized by a fast-acting, thumb-activated start-stop device for feeding wire. In one hour the gun is said to zinc-coat as much as 1,250 sq ft to an average thickness of 0.001 in.—nearly 15% faster than the spraying capability of the Type 7E gun. The gun is suitable for coating water tanks, bridges and railroad cars. *Metco Inc.*

Microwave design service (RA-6)

A computerized design service for microwave frequency selection and coordination in the .96, 2, 4, 6, 11 and 12 GHz, private and common carrier bands for relay and earth station applications is available.

The service provides rapid and accurate selection of interference free frequencies for FCC construction permit applications and complete analyses of potential interference into authorized stations. It utilizes the latest geodetic formulas, interference criteria, equipment parameters and FCC microwave station data.

Prices are based on station density, quantity and radiation coverage. *Frequency Coordination Department, Microwave Services Inc.*

NEW LITERATURE

DRY BULK UNLOADING. The UTLX Pressure-Flow car (a rail car that offers high-speed, pneumatic unloading for dry bulk commodities) is the subject of a 4-page brochure issued by Union Tank Car Co. Among car features highlighted are prevention of air pollution, assurance of product purity, all-weather operation, capital investment savings and one-man unloading from either side. (NL-1)

LUBRICATORS. An 8-page brochure on gravity feed lubricators is offered by the Oil-Rite Corp. It explains the various types and styles, theory of operation, construction details and applications. (NL-2)

UNDER-CAR GATE DEVICES. A set of eight new technical product sheets on discharge mechanisms and devices for bulk commodity transportation has been published by the W.H. Miner Division of Miner Enterprises, Inc. The new literature describes operating features of the Miner devices, which are designed to permit safe, easy and fast handling of bulk commodities for quicker car turn-arounds and increased equipment utilization. (NL-3)

PALLET TRUCK. Features of a new 5,000-lb pallet truck described in a bulletin from List Parts Mfg., Inc., include a fingertip control lever that safely lowers the load and permits the operator to keep both feet on the ground, and Culon bushings that require no greasing. (NL-4)

BEARING SERVICE. Abex Corp., the U.S. distributor for SKF journal roller bearings has issued a brochure describing the factory service program available on Expediter Bearings AAR-4 and AAR-4B. The program comprises two plans for immediate delivery of rebuilt units against shipment of the customer's bearings, and a plan for repair and return of actual bearings shipped in by customers. (NL-5)

RUBBER FENDERS. Uniroyal, Inc., has published a new brochure describing types of industrial fenders for truck loading docks, trucks and other shipping equipment. (NL-6)

ELECTRICAL SAFETY DEVICES. A new catalog from the Pipetron Division of Western Technical Products describes a complete line of electrical safety devices for application in all industrial and commercial fields. The devices have been engineered to comply with the applicable department of safety and fire association codes. (NL-7)

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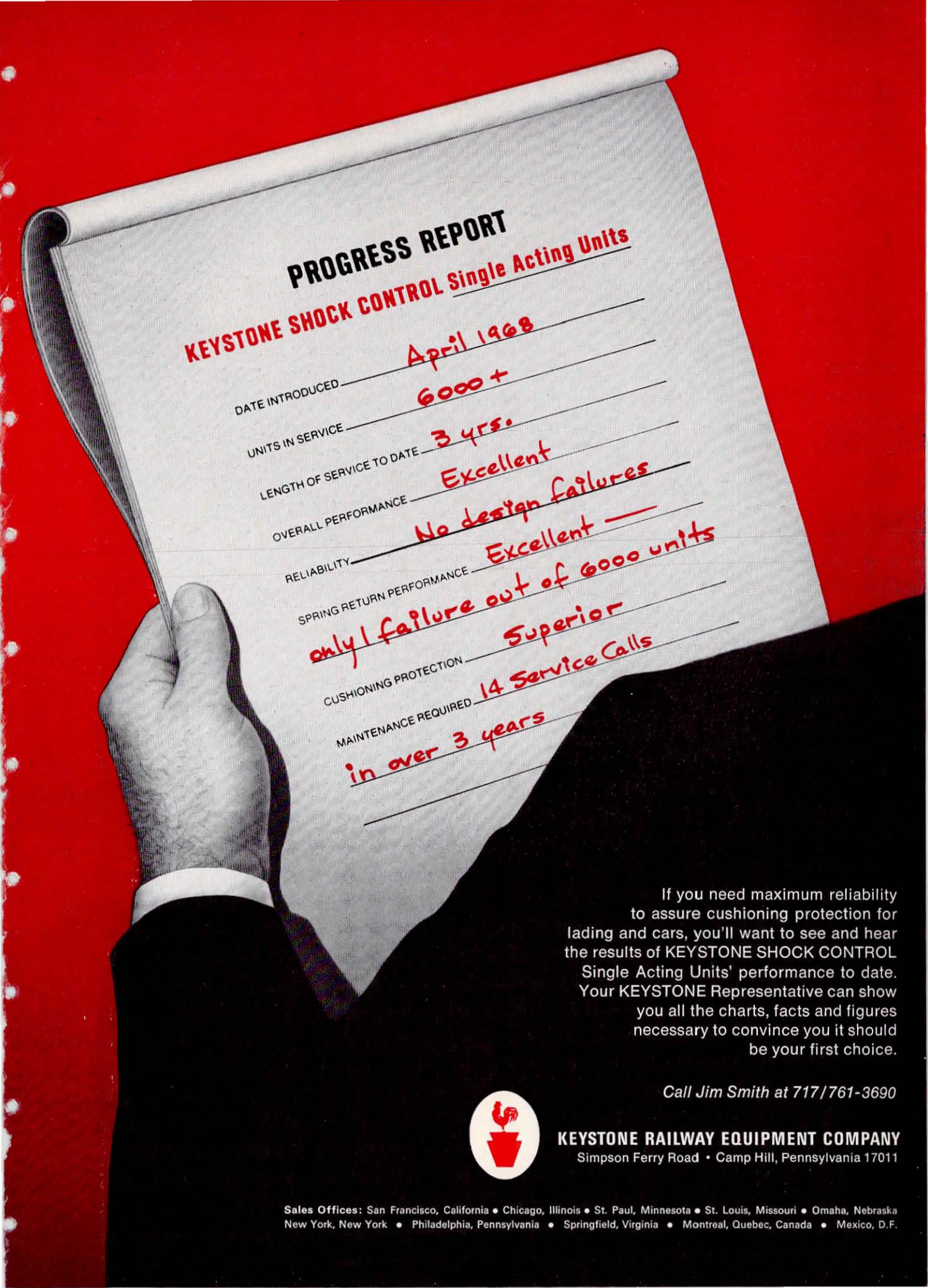
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Making a strong railroad stronger

By GUS WELTY, Senior Editor

It's a far-flung enterprise. Almost 12,900 route miles, stretching from the Great Lakes to the Pacific and the Gulf of Mexico. Eighteen hundred units of motive power, and more than 77,000 freight cars. Approximately 35,000 employees, spread over 11 states. Freight revenues that will top $700 million this year. Capital expenditures, for '71, of close to $100 million.

It's a lot of railroad, to measure and to manage. But the measurements are becoming more and more precise. And the managing, the controlling, the directing, are becoming more and more future-oriented—even as current operations are being closely supervised.

On the operating side—which, on Santa Fe, includes transportation and its support departments—the key man is Vice President-Operations Larry Cena, whose key to management could be summed up in a word: Motivate.

"Motivation" can take many forms for Santa Fe operating personnel. It can show up in a 95% on-time performance for "Super C." Or in a phenomenal improvement in the road's safety record. Or in a concentrated new drive to cut freight loss and damage. Or in a series of operating budgets which are realistic to begin with, and then are adhered to. Or in the kind of tinkering with past practice that can produce a coaxial train or a whole new concept of classification-yard operation.

However the motivation is being applied, somebody is obviously doing something right. In 1970, for example, Santa Fe posted a 5.6% increase in freight revenues (on a ton-mile increase but a carloadings decrease), while the increase in operating expenses was held

"Our people are dedicated"

As much as any road and more than some, Santa Fe is a railroad run by people whose careers have been Santa Fe. It's a system that has worked well —and that shows every sign of continuing to work well. One of its products is John S. Reed, a Santa Fe man since graduation from Yale, president of the road since the first of 1967 and chief executive officer since late 1968. In conversation with Railway Age's Gus Welty and Bob Bartley, he talks of Santa Fe and its people, and of the problems (and possible solutions) which involve railroaders today.

Q. Mr. Reed, if there's one thing that stands out in our talks with Santa Fe's top officers, it's their eagerness in talking about innovations in almost all areas—and their enthusiasm about what's happening here . . .

A. Let me just say first that we don't think railroads are a dying industry. We are, of course, trying to develop positive attitudes in all our people—particularly in the younger people we're bringing in, for example, from the colleges and universities. I guess the enthusiasm you've noted is due in part to the fact that so many of our people are dedicated, dyed-in-the-wool railroaders who really seem to enjoy what they're doing. But, you know, this same fact may have acted as a kind of silent-deterrent to some of our recruitment programs in the past—because we felt that a person almost had to have a born desire to be in the railroad business, or he wouldn't put up with some of the tough parts of being a railroad man.

Q. The 10-moves-in-10-years sort of thing?

A. Exactly. But in recent years we've found that if you get the right kind of young people—even if they weren't previously bitten by the railroading bug —they, too, can become dedicated, enthusiastic railroaders. As for the frequent moves you mentioned, there's an interesting point to be made. In the past, those annual moves were considered a form of rawhiding, or a part of the toughening-up process. From what I see and hear now, though, today's college graduate feels that if he isn't moved around a bit he's being ignored and forgotten, and he gets restless.

One key to Santa Fe's success: Men who "really seem to enjoy what they're doing"

JOHN S. REED

Q. In one way or another, Santa Fe seems to be doing an excellent job of motivating people—and I'm thinking of such things as the pride in maintaining the performance record of "Super C" and the tremendous improvement in your safety record . . .

A. Understand one thing: No effort of this kind can be handled on a hit-and-run basis. You can't say, for instance, that "This year we're concentrating on safety, and next year it will be freight loss and damage prevention." Ever since I've been with the railroad, these things have had high priority. But, for one reason or another, our efforts were not being translated into performance the way we thought they should be. So we are taking new approaches, on safety and now on L&D. But what this means, simply, is that we will be making it clearer than ever that we do mean business, and that it is vital that we show improvement—for the financial integrity of the railroad and the job security of all concerned.

Q. How about the motivation of the public at large—motivation related to the continuing importance of railroads?

A. The prevalent attitude of the man-in-the-street seems to be that railroads *are* a dying industry—and I think that, more than anything else, this attitude can spoil my day. The average individual just has little or no concept of what railroads mean to the national economy, and that's one of the real underlying reasons why we've been able to get so little done in the past in Congress. Up to this point, we have not been able to break the public belief that "railroad" is synonymous with "passenger train." With this attitude, and with the downhill slide of the passenger train, it's not hard to understand the public's pessimistic mood regarding railroads.

Q. Why did Santa Fe do as much as it did to try to maintain a quality passenger service?

A. Our tenacity was partly related to this matter of public psychology. We believed that so long as a company was running a passenger service, it ought to run a good one. We have done our best to do so—and it has been an expensive proposition. That's why we've been somewhat bitter when we've been refused permission to take off trains which proved to be hopeless losers despite our best efforts. By contrast, Amtrak overnight was given the type of relief that could have reduced our deficits tremendously.

Q. What effect may Amtrak's operation have on public attitudes?

A. I suppose this depends upon how many people can be attracted back to trains. Frankly, I'm a bit skeptical, and I think that's understandable—because

we have been running the best fleet of trains that we know how to run, and our patronage still declined. Part of this has undoubtedly been due to the deterioration of the passenger-train network in other parts of the country. The connecting-train availability at Chicago, for instance, practically disappeared over the past several years—and, of course, a large part of our transcontinental business came from the central, eastern and New England states. These people were literally faced with the problem of flying to Chicago and then coming into the city to board one of our trains—and it takes a pretty dedicated railroad enthusiast to go to that effort. But, if Amtrak can change the image—by showing the public a nationwide network of well-run trains—it will be all to the good.

Q. Is it a matter of concern that so much governmental attention—including DOT/FRA concern—has been devoted to the passenger end of the business?

A. I have the greatest regard for the work which Secretary Volpe has been doing. If I have a criticism, I suppose it would be that the department has expended so much of its effort in the passenger and urban-transportation areas. Of course, this is understandable. For better or for worse, those are the most visible parts of the transportation problem. They are politically important. The urban-transportation problem is related to the problems of pollution in the cities, as well as to the problems of congestion. And, we must remember, a rationalizing of the intercity passenger problem was made a part of the ASTRO proposals. But, yes, I would hope that in the future DOT will devote more attention—and support—to helping solve some of the fundamental problems in the railroad industry that are more directly related to our major function—the hauling of freight.

Q. Santa Fe and DOT are moving ahead with several significant research projects—the test track in Kansas and the high-speed test facility in Colorado. How about DOT's reported interest in your coaxial-train development?

A. The coaxial train remains a Santa Fe development project at this time. We have built a full-size module. And we're content to carry the project through its early stages, to satisfy ourselves that we do have something that is worth full-scale development. We should get answers on that question within a few months. I am, however, under the impression that DOT may be interested in helping to progress the concept in the future.

Q. What broad implications for rail transportation might the coaxial-train principle have?

A. The whole idea has been to try to develop a vehicle that would be capable of higher speeds, at lower traction costs, on existing track. The key is "on existing track." So many other vehicle developments that you read about sound fine—but usually you find that they involve building what amounts to an entire new railroad. This is obviously impractical, so far as a national freight-handling network is concerned. And it's the same problem you run into in considering operation of very-high-speed passenger trains. I'm convinced, for example, that if Amtrak is ever to go ahead with a truly high-speed intercity service—which is referred to from time to time—it will have to have a completely new set of tracks. I'm afraid it would be a mistake to try to operate super-high-speed service on existing track, with its open grade crossings and curvature restrictions. I'm afraid that would be a mistake, even if you could dedicate a piece of existing track to passenger service and have it free of freight operations.

Q. What are the pros and cons of maintaining track for both passenger and freight operations?

A. We have always believed that we have to maintain track in as good condition to run heavily loaded freight trains at 70 mph—or in the case of "Super C," up to 80 mph—as we do to run passenger trains at 79 mph, or even 90. This, of course, is under conditions where you have a substantial high-speed freight operation. We have a peculiar situation now on our Northern District between, roughly, Albuquerque and Newton, Kans. This is beautiful, high-speed railroad with Automatic Train Stop that lets us run up to 100 mph if we want to. But that line now has only one or two freight trains a day. They are not transcontinental trains, and speed is of secondary importance. But that same track carries one passenger train a day in each direction—and we are left with the requirement of maintaining that track up to top standards for that single pair of passenger trains.

Q. What can you do, in a situation like that?

A. Well, the obvious thing is to try to build more business. Traffic—freight and passenger—has declined on this Northern District line since it was built, and the area it serves has been in a rather depressed condition in recent years. We've been successful in a couple of ways—as for instance in the development of the York Canyon coal traffic, which moves by unit train to California and is now also moving in other directions. Populations are growing in the area served by the Northern District line, and we're hopeful that this will generate additional traffic.

Q. Mr. Reed, we touched briefly on ASTRO a moment ago. What's your thought, first, on the impact of ASTRO on public opinion—and, second, how do you regard the various ASTRO-related proposals to generate financial aid for equipment acquisitions?

A. ASTRO has made an awful lot of people aware of some of our problems and some of the inequities which exist. As to how this gets translated into legislative action—well, it's too early to say. As for the several plans in ASTRO designed to help with equipment programs—as you know, in endorsing ASTRO the railroads understood that individual items would not be singled out for individual-priority attention. That can lead to individual disagreements, and dilute the total effort we need. If I had to state a general preference as to a freight-car program—without in any way jeopardizing the industry position on ASTRO—I would say that we prefer a type of financial assistance that would fit in as much as possible with the private-enterprise operation of the railroads. If a program should be adopted which shifts control of freight cars to an outside party, as in the Fastcar proposal, I'm afraid this would mean that management would be relinquishing control of the vehicle which produces the revenue. In other words, management would in a sense be giving up its right and obligation to manage.

Q. How do you regard the chances for reinstatement of the investment tax credit, as one approach to encouraging equipment acquisition?

A. I think there's a reasonable chance that the tax credit may be restored. One of the talking points for it is that it can be of benefit to industry broadly—and, considering railroads specifically, that it can help all companies regardless of their tax-paying status. Even companies without tax liability can benefit through leasing plans, in which the basic investor receives the credit and can pass it along indirectly through more favorable lease terms.

(Continued on page 66)

to 4.7%—despite higher material prices and a 5.3% jump in wage and related labor costs. Toward the end of last year, Cena says, the road really began to get a handle on expenses—and he remains confident that this kind of control will pay off in '71, though contracted-for wage increases will make the job tougher than ever.

Cena is especially encouraged by the way department heads are learning to work with Santa Fe's relatively new budgeting system. In one recent month, he notes, the maintenance-of-way ratio was forecast at 15.7%; the actual was 15.3%. In that same period, the maintenance-of-equipment ratio was forecast at 19.3%; the actual was 19.6%. Transportation ratios, meanwhile, are coming down—though the road is experiencing no reduction in traffic. For the first quarter last year, the ratio was 38.2%; this year, it was cut to 36.6.% And the operating ratio, 81.7% for the first three months of 1970, was pared to 78.9% for January-March 1971.

Across the board, Cena sees evidence of improvement: Although the M/W ratio came out slightly under budget, "we were laying more rail and inserting more ties—and that, to me, means we're operating more efficiently. We're getting better productivity in M/E, and excellent utilization on power. Our heavy-bad-order situation is in about the best shape ever."

"Excellent" hardly seems the word to describe the power utilization Santa Fe is getting. It's been so excellent that during recent times the road has had 150 or more units laid up good. And, as Cena observes, "There's not a railroad anywhere that has that situation." This might indicate that Santa Fe may be light on motive power acquisitions for a while—but Cena thinks not. The road is going ahead with its rebuild/conversion program and may in fact consider stepping it up—and there will in all probability be a continuing program of acquiring high-horsepower units for the transcontinental fleet on a regular-ordering basis.

A good share of the credit for improved utilization goes to the development last year of a central control bureau in Chicago which directs and coordinates work assignments for motive power and cabooses (and which will have tied into it program controls on power maintenance and certain M/W operations).

Much the same kind of control is now being applied to freight-car distribution—though this will be handled on an area basis from, probably, three points. Under the planned system, distributors will be able to tap the computer not only for data on available empty cars but also for advance information on cars moving under load which may be made-empty at a time and place which will satisfy car-order requirements.

But, while Cena is happy with power utilization and hopeful about improved car utilization, he is far from satisfied with the degree of utilization Santa Fe (or any road, for that matter) is getting from its fixed plant. This may change, for the better, as a result of studies just now getting under way—because Santa Fe's top operating people have rather specific ideas as to what ought to be possible.

Larry Cena, vice president, operations

"We're operating more efficiently. We're getting better productivity in M/E and excellent utilization on power."

In the meantime, plant-related projects are being looked at with a closer-than-ever eye. One example: Santa Fe has long been considering development of a major new yard at or around Barstow, Calif., but for the time being at least, planning is under a slow-order.

In the meantime, too, Cena is looking at terminal operations generally, and not liking what he sees: "If you took a bird's-eye view of the Chicago terminal area, you'd find practically no inter-road movement on first trick—and all kinds of activity on third trick to meet the midnight per-diem cutoff. We have the computer capability—maybe what we need is a per-diem 'cutoff' every eight hours, or every four hours or even every hour. We could get a lot better utilization out of this terminal plant."

As it happens, he is in good position now to lead a drive for better car- and plant-utilization in the sprawling Chicago terminal: Santa Fe's VPO, by coincidence of timing or something, is the current chairman of the Chicago General Managers Association—which is moving toward installation of the industry's most comprehensive terminal ACI system.

What's happening in Santa Fe's operating department, of course, is having its effect in the traffic department—and vice versa.

Building the business

It has been said that if you scratch a salesman, an optimist bleeds. That may be true of Leo C. Hudson, Santa Fe's vice president-traffic—but Hudson's optimism is tempered with a solid and substantial realism.

Hudson, for example, wants to believe—and has good reason to believe—that Santa Fe will see a traffic increase this year which will bring volume back up at least to 1969 levels and maybe a bit higher. With the rate increases which have been allowed over the past two years, this kind of volume should produce another new high in freight revenues. At the same time, he has to take into account the possibility of a third-quarter slowdown (whether or not there is a steel strike) and, still, the possibility of work stoppages in the railroad industry itself.

While events take their course—and while, hopefully, the economy continues to climb out of its 1970 trough—Hudson and his people are moving on several fronts to put Santa Fe in a better position to take advantage of (or cope with) whatever happens.

One of these moves involves the delicate costing/pricing balance. Another involves development of a better way to reward freight salesmen for performance.

On the cost price front, Santa Fe's pricing and market research people have made the analyses—and the road is moving methodically to make sure that all traffic is paying its way. As Hudson puts it, "We're not being arbitrary about this. We're talking with our shippers and explaining exactly why adjustments are necessary—adjustments over and above the ex parte increases we've taken." What has the reaction been? "Some shippers accept our case without argument. Some try to work out a compromise with us. Some give us a flat 'No.' But this is something we have to do, and we're going to do it—even, on some low-rated commodities, to the point of possibly losing business."

This kind of analysis and adjustment is a tough job—but Santa Fe researchers may be working on an even tougher assignment: Putting together an incentive program for salesmen. A number of roads have tried this—but if there have been any outstanding successes, they have largely escaped attention. What Hudson wants is a system which (1) will be keyed to development

of new business, and (2) will reward the man who does the actual work in landing that new business. Santa Fe people have checked out incentive plans in a number of other companies, mostly non-transportation—and by late this summer, Hudson (and Santa Fe's sales force) should know whether a workable incentive arrangement can be constructed.

In the meantime, the business of building business goes on. Thus far in 1971, Santa Fe has seen a pickup in several areas—in lumber and building products, for example, and in the manufactures - and - miscellaneous category (which normally acts as a kind of barometer for measuring a rise or fall in the economy generally). Hudson remains hopeful that "Super C" will be able to attract more commercial traffic. And he sees signs pointing to a renewed interest in a modified form of landbridge service.

Leo C. Hudson, vice president-traffic

"We're talking with our shippers and explaining exactly why adjustments are necessary."

At this point, "Super C" means mail, with commercial traffic accounting for only about 20% of the train's volume. At the outset, Santa Fe set the rate high—and most shippers between Chicago and Los Angeles obviously figured they didn't need that much speed at that high a price. Now, however, the situation is changing: The price tag on "Super C" has remained constant, while the series of ex parte increases has pushed other rates up. The gap between regular TOFC/COFC rates and the premium "Super C" rate isn't as big as it once was—and the 40-hour (or better) schedule has become a bigger bargain.

Landbridge is something else again. It has been talked about, studied, even set up—at least on paper. It hasn't caught on—though there have been important side benefits from the studies: As Leo Hudson recalls, "In a way, you might say we started out studying landbridge and came up with 'Super C'—and left landbridge more or less in limbo until the times seemed better."

Those "better times" may be coming. Just within the past few weeks, Santa Fe has had serious discussions with a major ship line serving the Far East, Europe and all three U.S. coasts. Over a period of time, the road's traffic people have talked with virtually every containership operator serving the Far East. And now, Hudson thinks there is also a reawakening of interest on the part of other railroads in establishing a true rail bridge across the country.

Pricing will be the key factor—pricing which takes into account savings in transit time and in Panama Canal tolls, balances this against container-handling costs at ports of entry and departure, and results in an equation which will be attractive to both ocean-going carriers and railroads. Hudson thinks the equation can be built.

Bread-and-butter EDP

If there is one area on a railroad that can show a tendency to grow out of control, it's that area known as "management information." Given the enormous data-handling capability of the computer, there is a temptation to crank out reports by the ton. But on Santa Fe, that temptation is being held in check. R. M. Champion, Jr., vice president-information systems, has as his basic goal "the simple organization of information so that the man who needs it can get the best available information in the best possible form."

Champion is convinced that "sometimes people in this business talk too much about the fancy stuff—and not enough about the bread-and-butter. Sometimes you have to go back to the prosaic—things like inventory management and payroll. Because that's where you spend the money."

It's no coincidence at all, that two of the major areas in which Santa Fe's information-systems people are working today involve restructuring of those two specific operations—inventory management and payroll. On payroll, for one thing, Ray Champion wants an analysis of the time various classes of employees are engaged in various activities. "We want to know, for sure," he says, "where we're spending our money, and for what. Maybe we'll discover that we have the wrong people doing the wrong things—and that there are ways in which we can make changes to get the best use from both our money and our manpower." Studies are also under way on the complete processing of operating-employee payroll data—with programming that will handle all the complexities, including such things as through-to-local rate-of-pay conversions and the flagging of questionable claims.

R. M. Champion, Jr., vice president-information systems

"People in this business talk too much about the fancy stuff."

The information systems department is also now concentrating on data-handling involved with the road's three centralized station-accounting bureaus, on expansion of equipment-control programs, and on the capture of additional information from origin documents. The basic need "is for complete information from waybills, wheel reports, interchange reports. That's what we run on—and if we have that information, from that point on it's simply a matter of matching data and studying relationships."

Like everybody else in charge of a data system, Champion's No. 1 concern is the accuracy of original input. This means the maintenance of never-ending field training programs. It also means development of a system with sufficient built-in diagnostics to help communications forces locate trouble and correct it quickly. And, on the Santa Fe, it means going an extra step in the system itself: Santa Fe, he notes "has the only railroad teleprocessing setup which is entirely eight-level—the eighth level being that extra bit which can give a parity check. Every terminal device we have has it."

Putting ACI to work

Accuracy is also the name of the game at Argentine Yard, Kansas City—where Santa Fe is operating one of the industry's most comprehensive ACI laboratories.

The new Argentine was opened

AT ARGENTINE YARD, Santa Fe is operating one of the industry's most comprehensive ACI installations, with 10 scanners (five at each end of the sprawling, two-hump facility), effectively sealing off the yard and providing a complete record of every inbound and outbound freight-train movement.

about a year ago—a 48-track classification facility used for eastbound operations (with the previously-existing hump yard now devoted to westbound classification). Santa Fe has installed 10 ACI scanners in the yard.

Through early May, tests were continuing—but Santa Fe people were anticipating actual service-use of the ACI-generated data by the end of the month.

Accuracy and completeness of data, however, are a lingering problem. In one test, for example, 90% of the cars involved were labeled and the scanners gave a correct reading on 96% of the 90%. But, the faulty readings were not entirely due to scanner failure: Half or more of the no-reads were flat cars on which labels had been placed in positions either extremely low making them subject to dirt accumulation or were out of the scanning field.

Until the freight-car fleet is 100% labeled, ACI can't be 100% effective. But, Santa Fe has found, the concept of data-enhancement can be applied to bring the results close to perfection. Data-enhancement—combining an ACI printout with an advance consist—has been done manually. Ultimately, however, it may be possible to put both fields of information into the computer for logical sorting and comparing.

Santa Fe has been working carefully on the integration of ACI. As Champion puts it, "We've wanted to spend our time learning about the logic we can build in, before we get into the programming." At this point, indications are that the Argentine installation will get a thorough testing before the road goes into system-wide scanner installation. At this point, too, it's the feeling that Santa Fe will need fewer installations than originally planned—and with each installation costing approximately $30,000 by the time it's completed, locations are going to be plotted with care (even if the return-on-investment *is* estimated at a respectable 20%).

Champion regards ACI as basically an operating man's tool. But he's not averse to a bit of blue-sky thinking—in which ACI and waybill data are computer-matched in automatic preparation of wheel reports.

Financial

At the end of 1970, the railroad industry as a whole had fallen into a deficit working-capital position. Many individual companies faced a serious deficit problem. And, while there is no overconfidence at Santa Fe, Vice President-Finance R. W. Harper can cite figures—on working capital, on debt ratios and on utilization of cash—which put the road up among the industry's healthiest members.

On a ten-year-comparison basis, Santa Fe Railway's working capital has dropped from $69.1 million in 1961 to $55.7 million in 1970—but there was no deterioration last year, whereas the position of most of the industry was sinking fast. On an ICC basis, which includes long-term debt due within one year as a current liability, Santa Fe wound up '70 with an increase in working capital of $8.4 million, up from the $47.3 million figure at the end of 1969. Even after deducting debt due within one year (to conform to generally accepted accounting principles), Santa Fe closed out last year in a stronger position. And, as Ramey Harper points out, in absolute-dollar terms, only two roads rank higher.

R. W. Harper, vice president-finance

"We're as well prepared as any to weather the storm."

Similar strength shows through in a comparison of debt ratios, the ratio of long-term debt to total capitalization.

At the end of 1968, that ratio stood at 17.1%; at the end of 1969 it was 17.2%; at the end of 1970 it was 17.9%—everything considered, as Harper says, "a very small increase." (Santa Fe Industries' debt ratio, meanwhile, rose to a somewhat greater degree, principally due to issuance of debt last year to cover Santa Fe Pipeline construction. Even so, SFI's ratio stood at 26.4 at the start of 1971.)

How does Santa Fe's position shape up? Harper cites these debt-ratio averages: For the top 500 manufacturing companies, 25%; for public utilities, 55% to 60%; for trunk airlines, about 65%; for all Class I railroads, 37%. By Harper's reckoning, only one major road can show a lower ratio than Santa Fe. And, so far as both Railway and Industries are concerned, he notes, "There is still quite a bit of latitude for issuing additional debt, if this becomes necessary or advisable."

Utilization of available cash is another bright spot. Through 1968, Santa Fe's short-term investments were limited to U.S. Treasury securities. And the road had considerable money on deposit in more than 200 banks scattered across the system.

Then, several things happened. Santa Fe expanded its investment policies to include one-bank holding company commercial paper and certificates of deposit of the largest banks as well as securities of other U.S. government agencies. It switched to a centralized (at three locations) station accounting system, which made it unnecessary to maintain a number of the individual bank accounts.

As a result, Harper and his people had more cash available for investment and more opportunities for investing it. Santa Fe's interest-income has climbed sharply, beginning in 1969. Between 1968 and 1970, in fact, interest income more than doubled.

In its recent approaches to financing, Santa Fe has had a couple of experiences that border on the unique. In 1969, for example, the road acquired 90 locomotives under an investment tax credit lease. It was the first equipment lease of any size for Santa Fe—and its size, $25 million, took it out of the category of "ordinary" for railroads as a whole.

Harper explains the situation: "When we did the arithmetic, we came out with the lowest net interest cost with the investment tax credit lease. I think it was one of the better deals we've been able to make—because we were able to get in just before interest rates began to rise. Our net interest cost is slightly under 4¾% for 15 years. The debt por-

tion of the lease was placed with a major insurance company at 8⅛%. And, of course, shortly after this transaction was completed, the investment tax credit was dropped by action of Congress."

Then, in 1970, Santa Fe came up with something else new—negotiation with an underwriting syndicate for public issuance of $37 million in equipment trust certificates, covering freight cars and 120 locomotive units. The road had taken the first steps toward this kind of non-competitive-bid negotiation in 1966 but at that time the best-available interest rate seemed too high. In 1970, the road was ready to try again—and, with ICC approval, to become "the first American railroad to put together this type of financing package."

The issue was sold, Harper notes, "at 8¾%, which was a high rate of interest, But later, a number of roads went to 9% or even higher on smaller deals. Subsequent interest developments indicated that we made the right decision—and that our timing was fortunate."

Quite naturally, Harper is concerned about Santa Fe's continuing capability in maintaining its working-capital position and in obtaining financing on favorable bases. He worries about projections of revenues—and about the road's ability to control operating expenses.

Santa Fe, he believes, "is as well prepared as any of the major railroads to weather the storm." At the same time, he looks at labor-related costs—and he worries. In 1960, he points out, "Santa Fe's employment average stood at 49,600. At the end of 1970, we had 35,400 employees. But this reduction hasn't made a dent on our over-all wage costs. Total payroll costs, including taxes and employee-benefit costs, rose from $343.4 million to $412 million. The average cost per employee rose from $6,922 to $11,635. There's hardly an area where we haven't applied technological innovations in an effort to improve productivity—and the Santa Fe management team, of course, is dedicated to a continuing improvement in productivity. But the cost figures indicate that we have a pretty tough row to hoe."

Diversification

Over the years, Santa Fe has become a remarkably diversified transportation operation—with entries today in three major forms of surface transportation, plus air freight forwarding.

In Santa Fe Industries' transportation group, there is the railway (and a couple of small terminal properties in Illinois and California). There is Santa Fe Trail Transportation, which actually operates more route miles (17,562) than the railway and last year posted record operating revenues of $27.8 million—

John C. Davis, vice president-executive department

"Each of the transportation entities is left to do what it does best."

though it's not really a long-haul carrier. There are the pipelines—Gulf Central Pipeline (anhydrous ammonia fertilizer, from the Louisiana Gulf Coast to Missouri, Indiana, Iowa, Illinois and Nebraska); Santa Fe Pipeline (natural gas liquids from west Texas and southeast New Mexico to the Houston area, and jet fuel and diesel fuel between Amarillo and Clovis, N.M.); and a half-interest in San Diego Pipeline (operating Los Angeles-San Diego). Finally, there is Express Air Freight, wholly acquired last year and since renamed Santa Fe Air Freight, to better identify this air freight forwarding company with the rest of Santa Fe's transportation sales activities.

Over-all, Santa Fe is perhaps an excellent example of what transportation coordination is—and is not. As John C. Davis, vice president-executive department, will point out, there are undeniable advantages and efficiencies to be gained through a coordinated management—but each of the transportation entities is left to do that which it does best.

Santa Fe Trail Transportation, for example, is an intercity operator (with unrestricted rights in six states, and with Santa Fe working to close gaps in operating rights where they exist). It also furnishes equipment for piggyback operations and handles terminal services for the railway's TOFC/COFC operation. With the acquisition of the air freight forwarder, certain other coordinations become possible—including transfer of the forwarder's headquarters operation to the truck line headquarters, consolidation of some truck line and air forwarder terminal facilities, and the development of a sales program involving rail and motor carrier and air forwarder sales forces.

For Santa Fe, rail and motor carrier operations have co-existed for years under a common ownership. But, Davis reflects, in hearings on the acquisition of the air freight forwarder the old doubts cropped up again concerning the advisability of tying different transportation enterprises together under a common corporate ownership. "From the tone of some of the questions," he says, "you would think we were planning to take a carton of machine parts from the air forwarder and toss it into a covered hopper car with a load of grain."

Actually, Davis notes, any market overlapping of the various forms of transportation controlled by Santa Fe is minimal and "does not begin to approach the kind of overlapping claimed by the foes of diversification." ■

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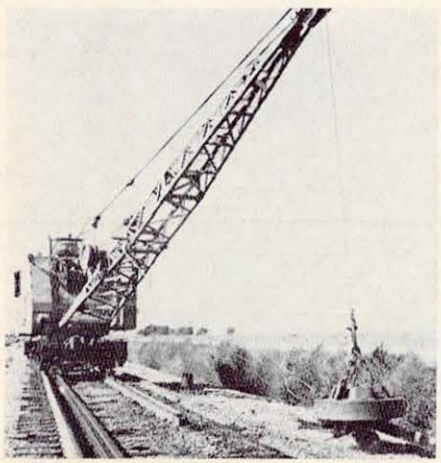

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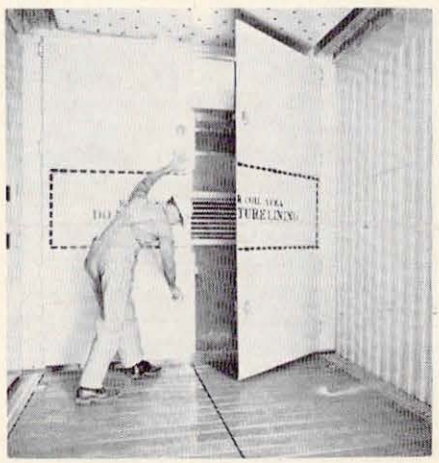

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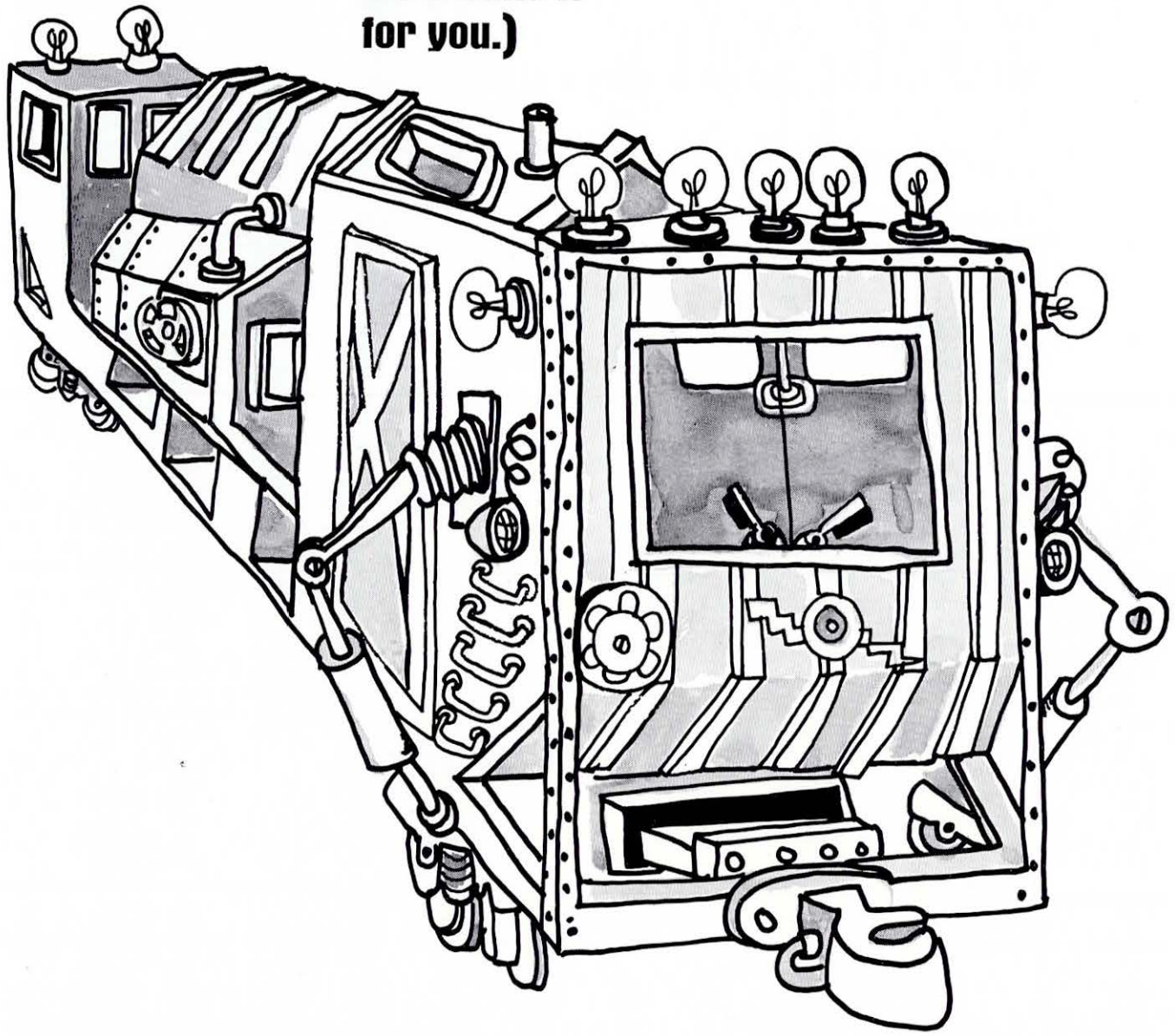

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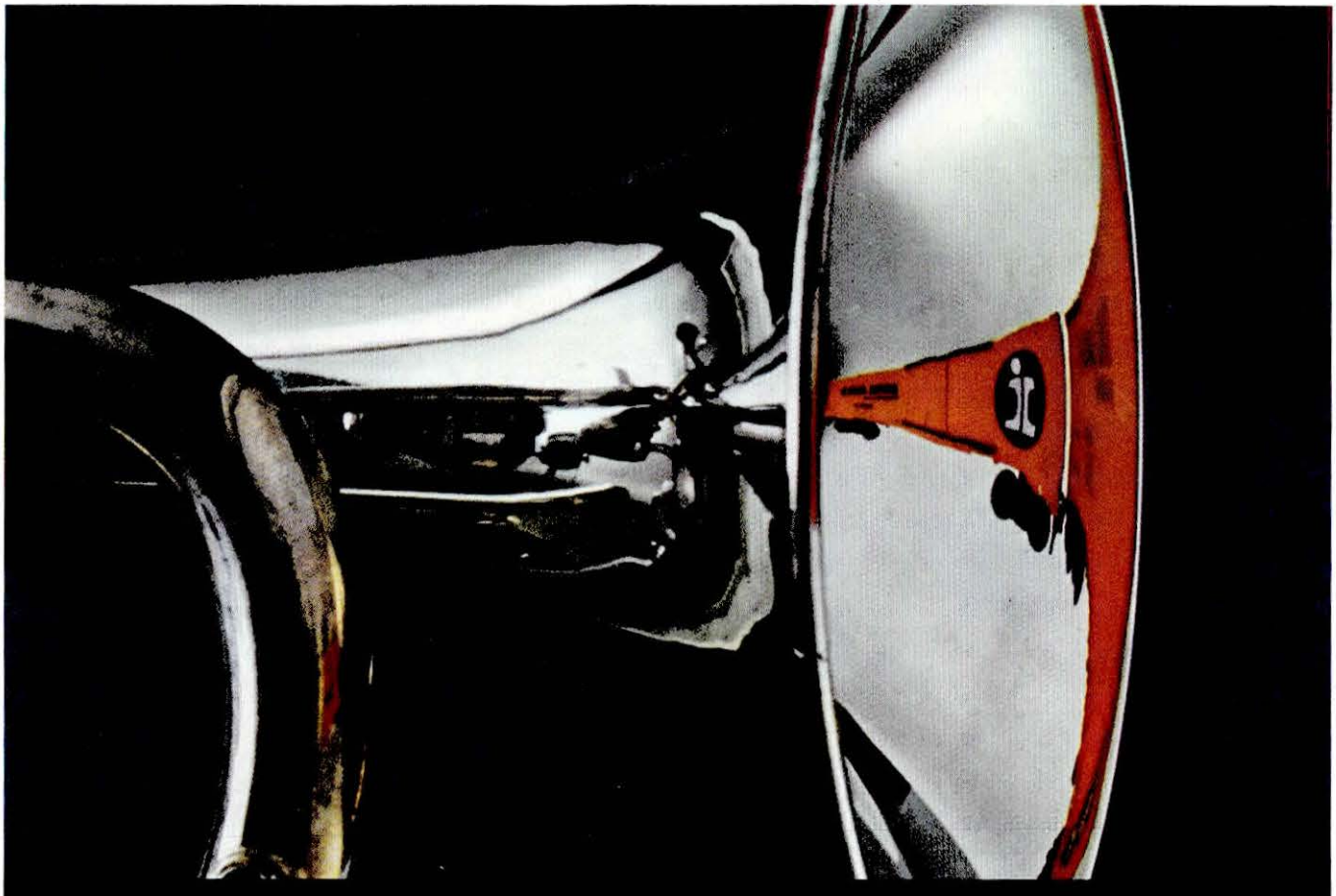

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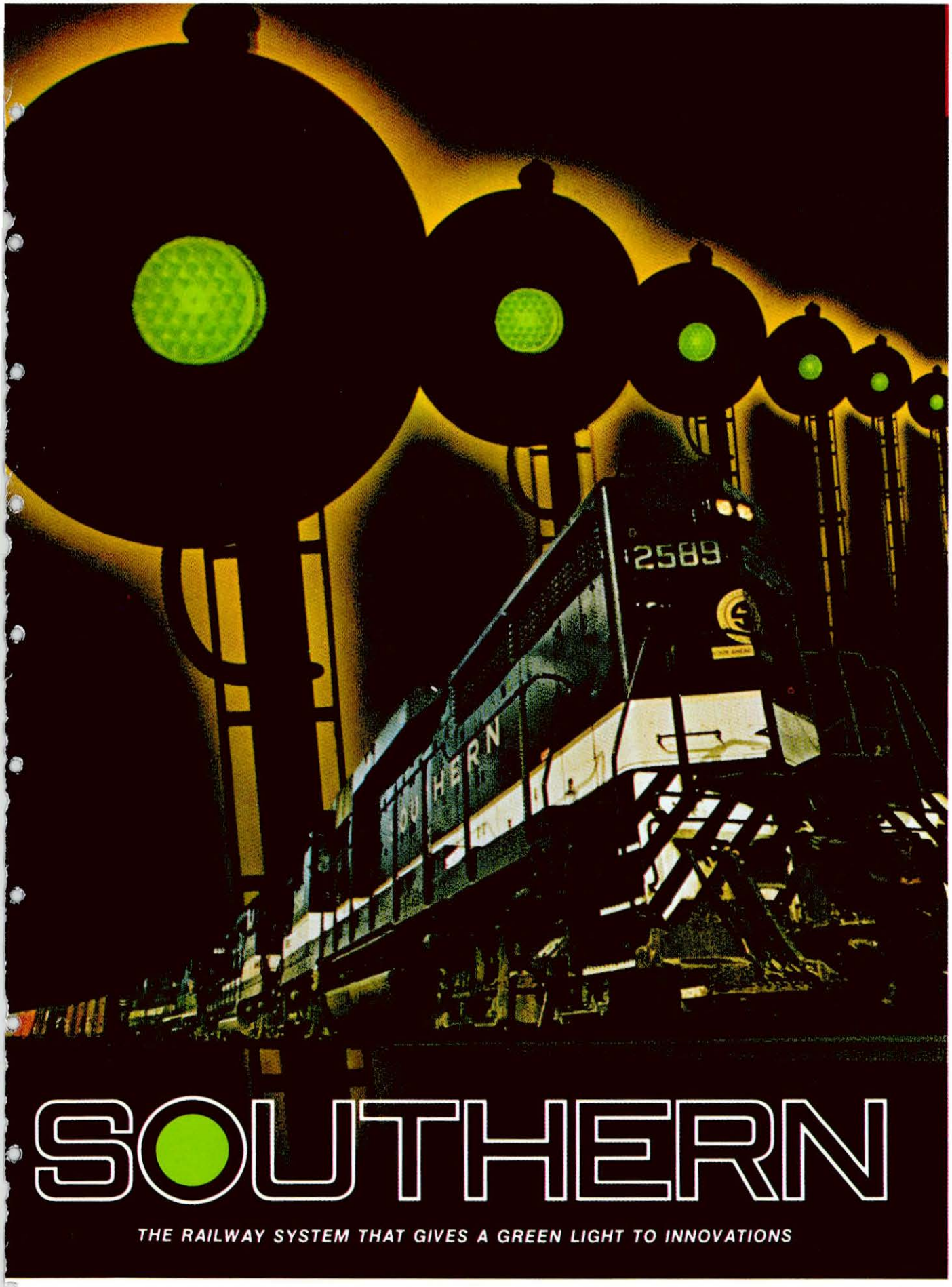

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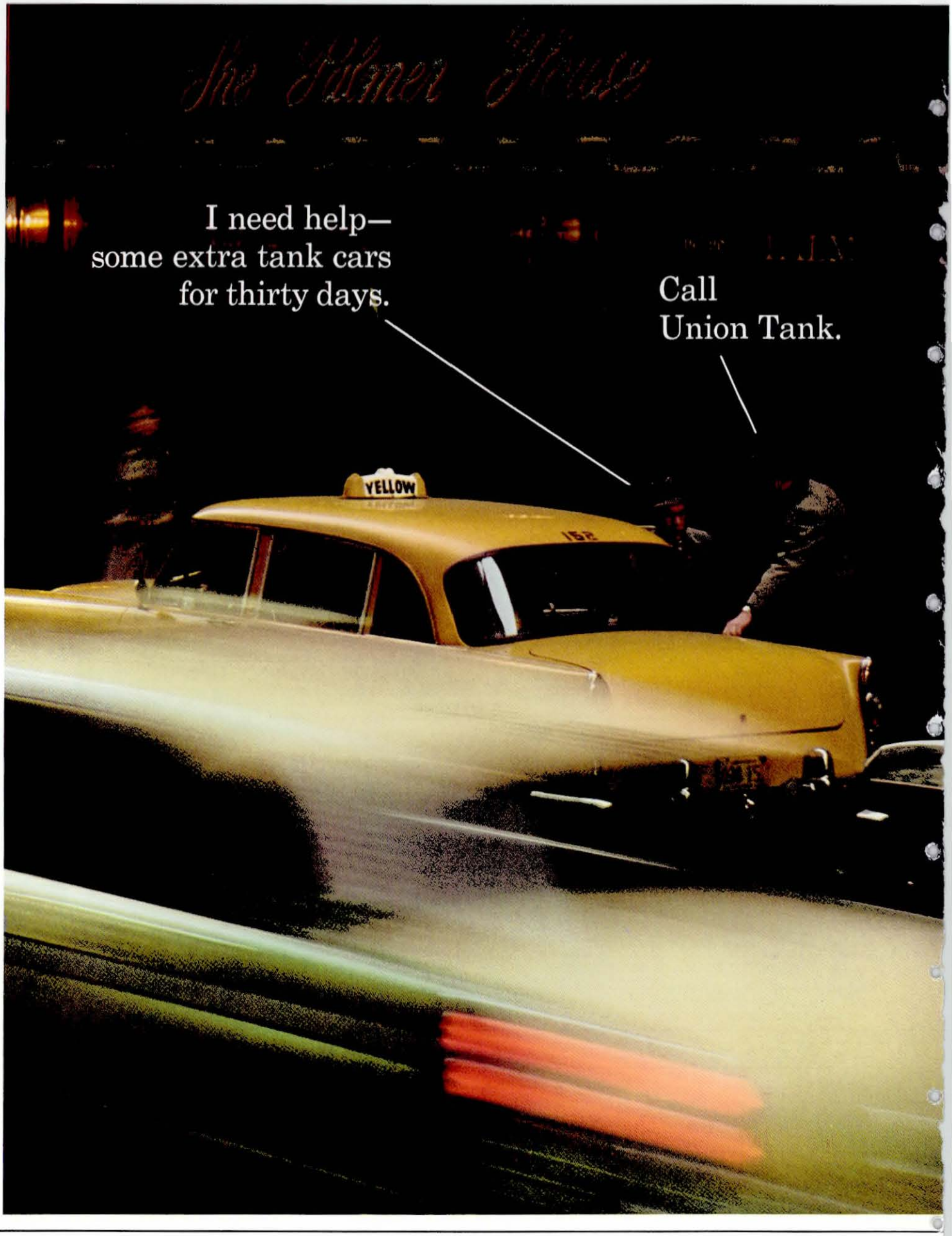
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Section 77 due for revision?

The railroad bankruptcy law is under scrutiny

A Federal commission and an American Bar Association subcommittee will soon begin studying possible revisions of Section 77 of the Bankruptcy Act. A rail lawyer who should know, Robert W. Blanchette, counsel to the trustees of Penn Central, has argued that revision of the statute—which of course provides the method for reviving financially stricken railroads—is necessary to meet changing times.

The Federal group is the 11-member Commission on the Bankruptcy Laws, established by Congress last July. It has two years to study the causes and theory of bankruptcy, alternatives to present ways of bankruptcy administration, and ways of effecting savings in administration of the Bankruptcy Act. Its scope covers the entire Act, including Section 77.

The ABA group is its standing "Committee on Railroad Reorganizations and Readjustments of the Section of Corporate, Banking, and Business Law." Long dormant, it is coming to life again and will exclusively study Section 77, issuing a report later this year. All members have not been selected; one is Blanchette.

The gist of the problem with Section 77, said Blanchette in an address to a Federal Bar Association-Bureau of National Affairs seminar on the PC reorganization held in Washington in March, is that it was designed for Depression-era financial problems of rails which are not the same at all as those which rails face today. Rail reorganizations in the 1930's were financial, not "survival" proceedings.

"Typically, a railroad had sufficient earnings to cover operating expenses, but not enough to meet a heavy debt structure incurred in prior times," he explained. "Through the bankruptcy process, the albatross of previous debt was removed, security interests were rearranged and a reorganized railroad emerged.

"The time all this took place was horrible, but the public interest in continued service was never deeply threatened," said Blanchette.

What he called the "new wave" of railroad reorganization cases came in with the proceedings involving the New York, Ontario & Western and the Rutland.

"These roads filed under Section 77 but could not be reorganized, simply because they were unable to meet operating expenses which could not be deferred," Blanchette pointed out.

"Even though Section 77—unlike its non-railroad counterpart, Chapter X of the Bankruptcy Act—has no liquidation provision, these roads simply stopped running. Economically obsolete, limited in regional scope, the Ontario and the Rutland passed into history and the general public gave the matter little note.

"Not until the second New Haven reorganization in 1961 did it become clear—or important—that the new wave of reorganizations was one with which Section 77 was never designed to cope. After but six months of bankruptcy, the New Haven trustees reported that the road could not be reorganized in the classical way; not only did it lack earning power upon which to base a trimmed capital structure, it could not generate enough cash even to meet payroll and other non-deferrable current costs," he declared, adding that the New Haven's merger with Penn Central in effect concealed the bankruptcy side of its particular case.

Turning to Penn Central's bankruptcy, Blanchette said it had many of the characteristics of the New Haven. "Whatever the causes for its bankruptcy, PC is incurring staggering losses, and, more critically, an unabated heavy cash drain," he said. PC viability can only be reached through abandonment of passenger service through Amtrak, reduction of surplus plant, regulatory relief in pricing, and labor reform, said Blanchette, citing the recent report of PC's trustees to the Bankruptcy Court.

"PC in a very meaningful sense is not a bankruptcy case. It is a problem to be solved as a matter of transportation policy and planning," Blanchette concluded.

Mere revision of Section 77 won't help PC, on which pressure from creditors is mounting. Some of its bondholders, mainly insurance companies, told the Senate Surface Transportation Subcommittee May 4 they would oppose further Federal loan guarantees for PC trustee certificates because their own first-mortgage bonds would be reduced in value (trustee certificates take priority over first-mortgage bonds). Without an infusion of new cash, PC will face a cash crisis this fall, when the second round of wage increases agreed to by the industry falls due in October.

In a related development, B&M bondholders told DOT and ICC they would ask that B&M be liquidated if that carrier is not made part of a larger eastern rail system.

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GTE INFORMATION SYSTEMS

People in the News

John G. Patten
B&M

Peter W. Carr
B&M

J.W.G. Macdougall
CN

Francis J. Gasparini
PC

ASSOCIATION OF AMERICAN RAILROADS.—Harry Peterson, vice chairman, Car Service Division, named director, AAR'S Information Process'ng Division. **H. Gordon Randall,** director of special equipment, Car Service Division, succeeds Mr. Peterson. **Albert V. Mannery,** district transportation officer, Car Service Division, San Francisco, succeeds Mr. Randall. **John F. Bishop,** district transportation officer, Minneapolis, succeeds Mr. Mannery. **Peter J. Ward,** manager of shipper relations, Washington, succeeds Mr. Bishop. **Miss Martha E. McManus,** assistant manager of shipper relations, succeeds Mr. Ward. **Arlie Scott,** heavy duty car distributor, Car Service Division, succeeds M'ss McManus.

BANGOR & AROOSTOOK.—W. Jerome Strout, chairman of the board, Bangor, Me., has retired from active management but retains the post of board chairman.

BOSTON & MAINE.—Operation of this road be'ng under jurisdiction of trustees appointed by a Federal Court rather than the board of directors of the B&M Corp., the usual titles for officers derived from a corporate status of management are no longer applicable. All positions of vice president are, therefore, discontinued. Under the new setup the chief engineer will report to the chief operating officer instead of to the chief executive officer.

John G. Patten appointed chief traffic officer, Boston. Mr. Patten served briefly as traffic consultant to the **Canadian National,** prior to which he was vice president —freight sales. **Penn Central. Peter W. Carr,** who joined the B&M Accounting Department in 1954, appointed comptroller. **W.N.D. Reid,** acting treasurer, appointed treasurer. **Paul E. Chadbourne** named auditor of disbursements.

CANADIAN NATIONAL.—David W. Blair, general manager, Atlantic Region, Moncton, N. B., named vice president of that region, succeeding **J.W.G. Macdougall,** appointed executive vice president, Montreal. **Maurice Archer,** vice president, research and development, Montreal, promoted to senior vice president. **G. Roy Boulet,** regional manager—operations, Moncton, succeeds Mr. Blair as general manager. **Walter R. Mitchell,** manager, Maritime area, replaces Mr. Boulet.

CANADIAN PACIFIC.—F. S. Burbidge elected vice president and director and senior executive officer of CP Rail, Montreal. **A. F. Joplin,** director development planning, succeeds Mr. Burbidge as vice president—marketing and sales, Montreal.

R. T. Riley, regional manager, Pacific Region, Vancouver, B. C., appointed director corporate planning, Montreal, reporting to the v'ce president administration.

Robert Klein has joined the CP as director of technical research and development, Research Department, succeeding **G. T. Fisher,** appointed director special projects.

CHESAPEAKE & OHIO—BALTIMORE & OHIO.—Carl C. Hawk, senior assistant treasurer, appointed general manager—financial planning, with headquarters remaining in Balt'more.

Charles J. Ploss, regional sales manager, C&O, New York, retires June 1, after 45 years of service.

Sanford J. Connell, administrative assistant—sales, Cleveland, promoted to administrative assistant to vice president—sales. **Robert L. Stender,** district sales manager, Sag'naw, Mich., succeeds Mr. Connell as administrative assistant—sales, Cleveland. **William A. Hansen,** assistant district sales manager, promoted to district sales manager, Milwaukee.

INTERSTATE COMMERCE COMMISSION. —Ernest R. Olson appointed assistant director, ICC's Bureau of Traffic, Washington, D. C., succeeding **Robert Newel,** retired. Mr. Olson was formerly manager of traffic analysis, **Westvaco Corp.,** New York.

John A. Grady appointed assistant d'rector, Bureau of Accounts, succeeding **Howard L. Domingus,** retired. Mr. Grady had been special assistant to director of the Bureau.

PENN CENTRAL.—Francis J. Gasparini, assistant vice president—real estate, appointed vice president—real estate, Philadelphia, succeeding **Samuel H. Hellenbrand,** vice president—real estate and taxes, who retires June 1.

Donald A. Swanson, general manager, **Indiana Harbor Belt,** Chicago, named general manager, Central Region, PC, Pittsburgh, succeeding **George M. Smith,** retiring after a 36-year railroad career.

Roger G. Meldahl, regional sales manager, New York, appointed regional sales manager, Philadelph'a, succeeding **William P. Eckfeldt,** retiring after a 36-year railroad career. **I. Jack Bader,** director—national accounts, New York, appointed to the new position of director of off-line sales, Philadelphia.

Charles L. Stainbrook, freight sales manager, St. Louis, named Southwest sales manager, in charge of the newly established office at Houston.

William E. Clinefelter, d'strict claim agent, Newark, N. J., named chief claim agent, Pittsburgh, succeeding **Herbert H. Hall,** retired after 49 years of service.

INDUSTRIAL TRAFFIC

Harold J. Slavin has been appointed manager—rail service, Eastern Traffic Department, **Georgia-Pacific Corp.,** Stamford, Conn. He was formerly director of freight service control, **Penn Central.**

Norbert A. Sachs has been appointed corporate traffic manager—rates and research for the newly created corporate transportation department, **General Felt Industries,** Chicago. **Ed Smith** has been promoted to traffic manager, Chicago plant, succeeding Mr. Sachs.

Louis E. Chapin has been named assistant manager—traffic, **Texaco Inc.,** Houston, Tex., succeed'ng **George H. Cady,** who retired April 30. **Walter B. Smith,** assistant manager—planning and development (traffic), appointed assistant manager—operations (traffic), succeeding **Jerry D. Houston, Jr.,** named assistant manager—supply. **James J. Gallagher** named assistant manager—planning and development (traffic).

Michael J. Walsh, Jr., elected vice president, transportation and distribution, **St. Regis Paper Co.,** New York. Mr. Walsh was formerly assistant v'ce president and director of transportation and distribution.

John C. Borg, director of transportation, **Kimberly-Clark Corp.,** Neenah, Wis., has been appointed chairman, Transportation Committee, **American Paper Institute,** succeeding **M. J. Walsh, Jr., St. Regis Paper Co.**

Grant E. Jackson has been appointed to the newly created position of general manager of transportation for **Heinz U.S.A.,** division of **H. J. Heinz Company,** Pittsburgh. Mr. Jackson was formerly senior manager of traffic and transportation.

OBITUARY

Edward G. Budd, Jr., 69, who retired in 1967 as chairman of the **Budd Co.** of Philadelphia, died May 20 at his home in Bryn Mawr, Pa.

Arthur W. Fisher, 85, retired section engineer and engineering consultant for **WABCO**—Signal & Commun'cations Division (formerly Union Switch & Signal), died May 8 at DeLand, Fla.

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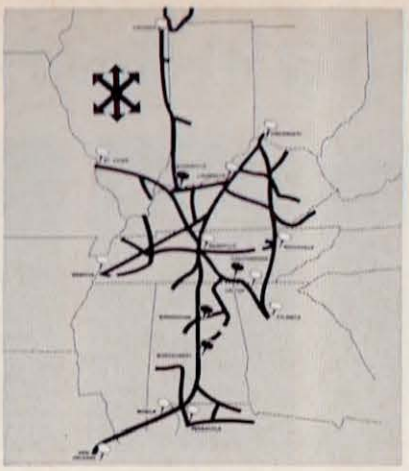
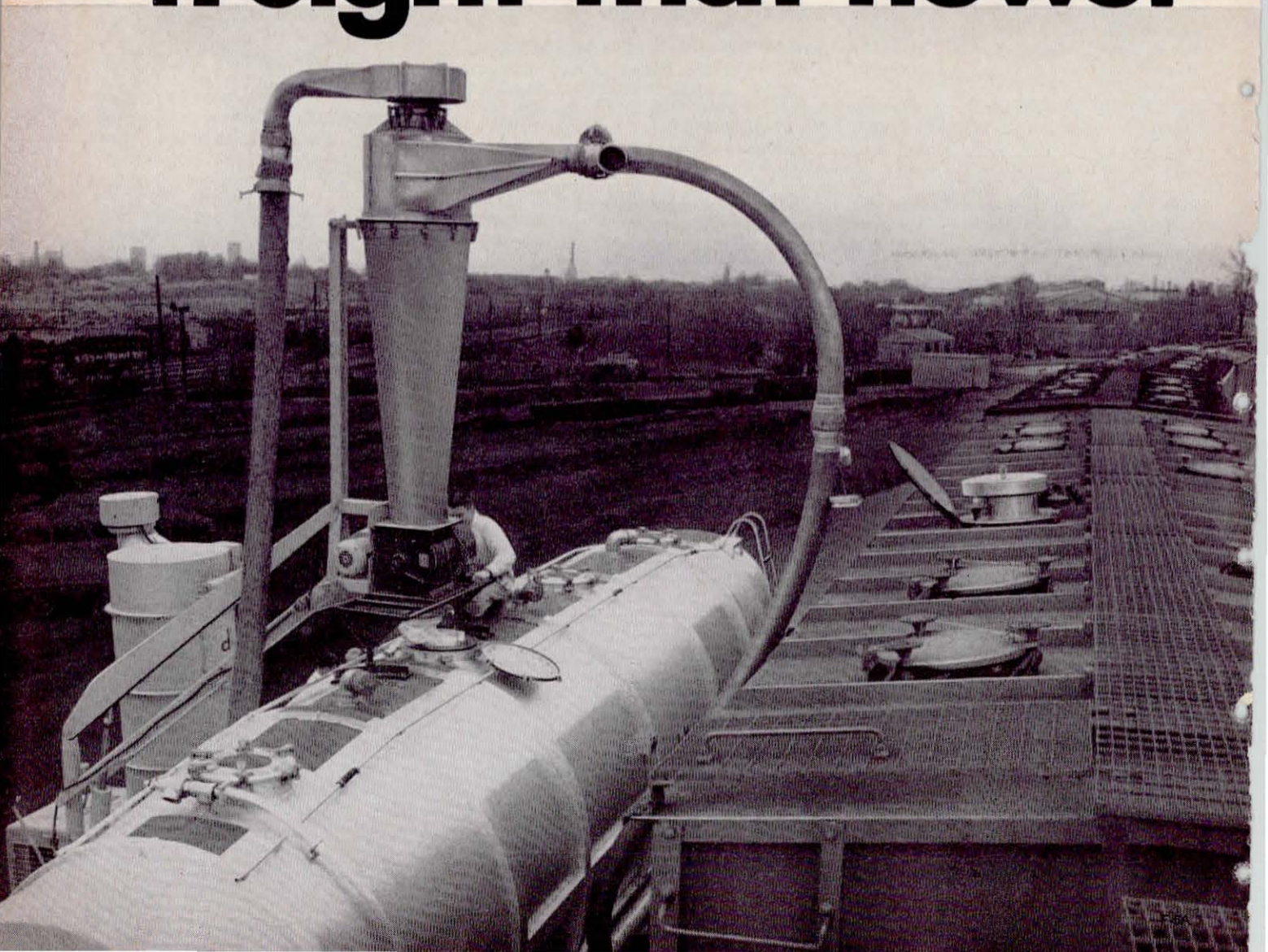
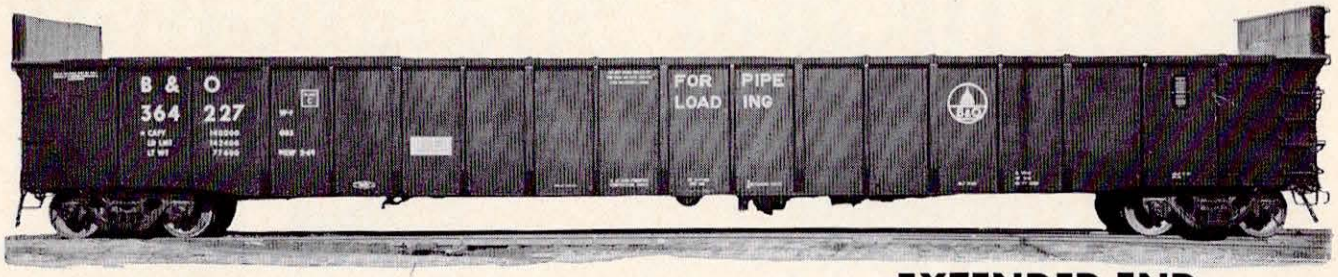


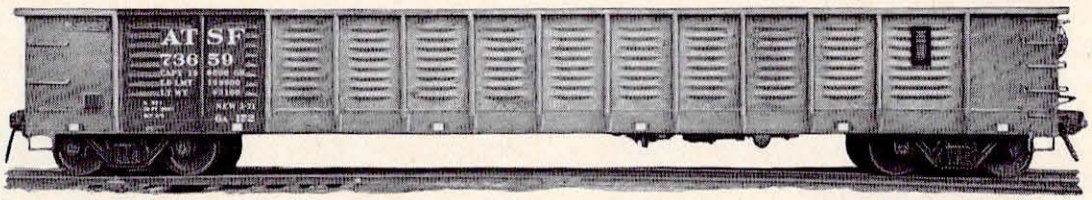
Bulk intermodal for freight that flows.



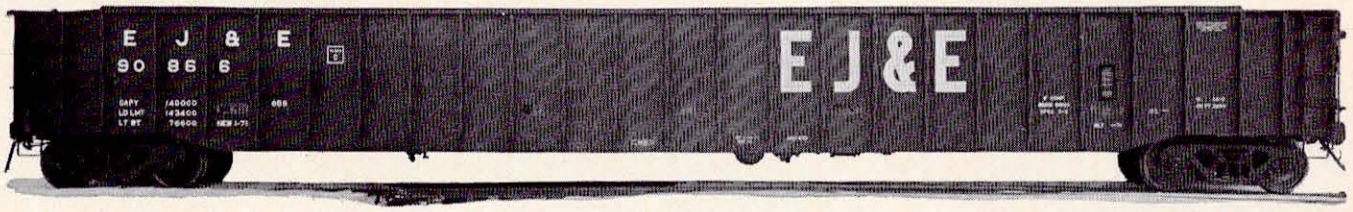
If you're thinking gondolas



EXTENDED END

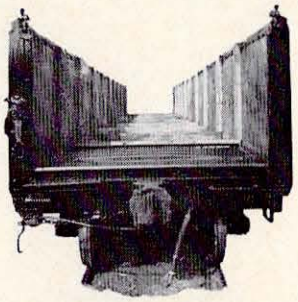


REGULAR



JUMBO

Think Greenville



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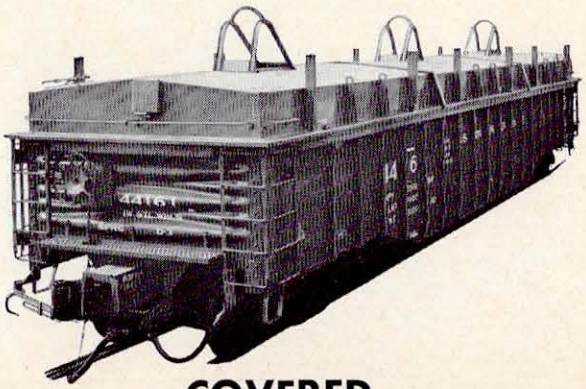

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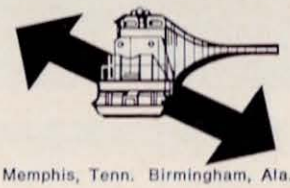
Circle 26 on coupon page 37

Frisco trims time on cross-country shipments with the Continental Straightaway

1600-mile run through trains give you improved coast-to-coast service



Your shipments between the West Coast and the Southeastern Seaboard move safer, more dependably, and more efficiently than ever because of a new, joint through train service arranged by Frisco in cooperation with Union Pacific and Seaboard Coast Line railroads. And Frisco's Continental Straightaway is right in the middle of it.

Now, by eliminating locomotive changes... by pre-grouping cars to eliminate unnecessary switching . . . and by dovetailing connecting schedules, you get a packaged coast-to-coast service that operates with quality control precision and delivers your shipments on time. Contact your local Frisco Sales Office for full details. St. Louis-San Francisco Railway Co., General Offices, 906 Olive St., St. Louis, Mo. 63101.

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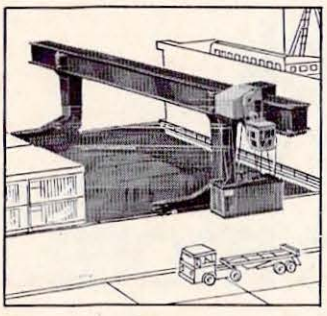
TAKE ADVANTAGE OF COLUMBUS.

We built the COLUMBUS NEW ZEALAND just for you—the shipper. We built it to give you the first all-modern, all-container service between the United States, Canada and Australia-New Zealand. We built it to give all the advantages that shippers want. And it's only the first of three sister ships.



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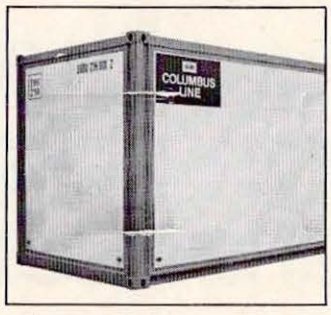
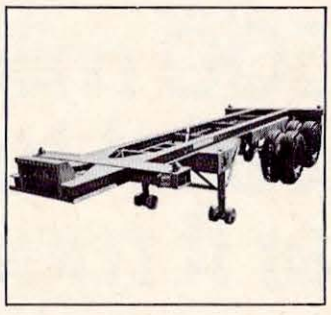
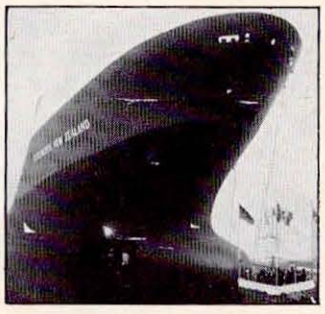
A self-sustained container crane—so no matter how limited or busy a port's facilities are, cargo can be loaded and unloaded quickly.



Advantage 2
An oversized, 8'6" high, container to facilitate loading and unloading. No other line in this trade has this extra-size plus.



Advantage 3
A container chassis system that keeps containers moving, speeds up your shipment.



Advantage 4
Advanced hull design permits continuous high-speed running —assures the dependable on-time performance you want.

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Circle 28 on coupon page 37

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This year we can give you the benefit of direct line service between Chicago and Portland, Ore., as well as a north-south route between Portland and Canada.

Let's work together!
We are pleased to offer these new services to you. And we invite you to discuss them with our Sales Representatives, and ship farther on *America's resourceful railroad.*

The Milwaukee Road, Union Station Building, Chicago, Illinois 60606.

Now you can ship farther on... THE MILWAUKEE ROAD

LeTourneau designed it that way to make it the world's fastest, most versatile container and trailer handler. LeTro-porter is big too. That's why only LeTro-porter is rated to top pick a 67,200 pound, 40 foot container.

Other LeTro-porter features include articulated steering, with a 76° arc in each direction. This assures fast, accurate alignment and gives the LeTro-porter a turning radius outside the rear tire of only 25' 6".

There's more.

The exclusive positive pile slope leveling control lets you raise or lower full capacity loads vertically with positively no tilting, no freight damage.

LeTourneau's LeTro-matic Drive and control system is another major reason to choose the LeTro-porter. This system gives positive, instant response for all operating functions. And that makes a big difference in yards with minimum preparation.

LeTro-porter is available in two different models, including a combination top and bottom pick. Capacities range from 70,000 to 90,000 pounds.

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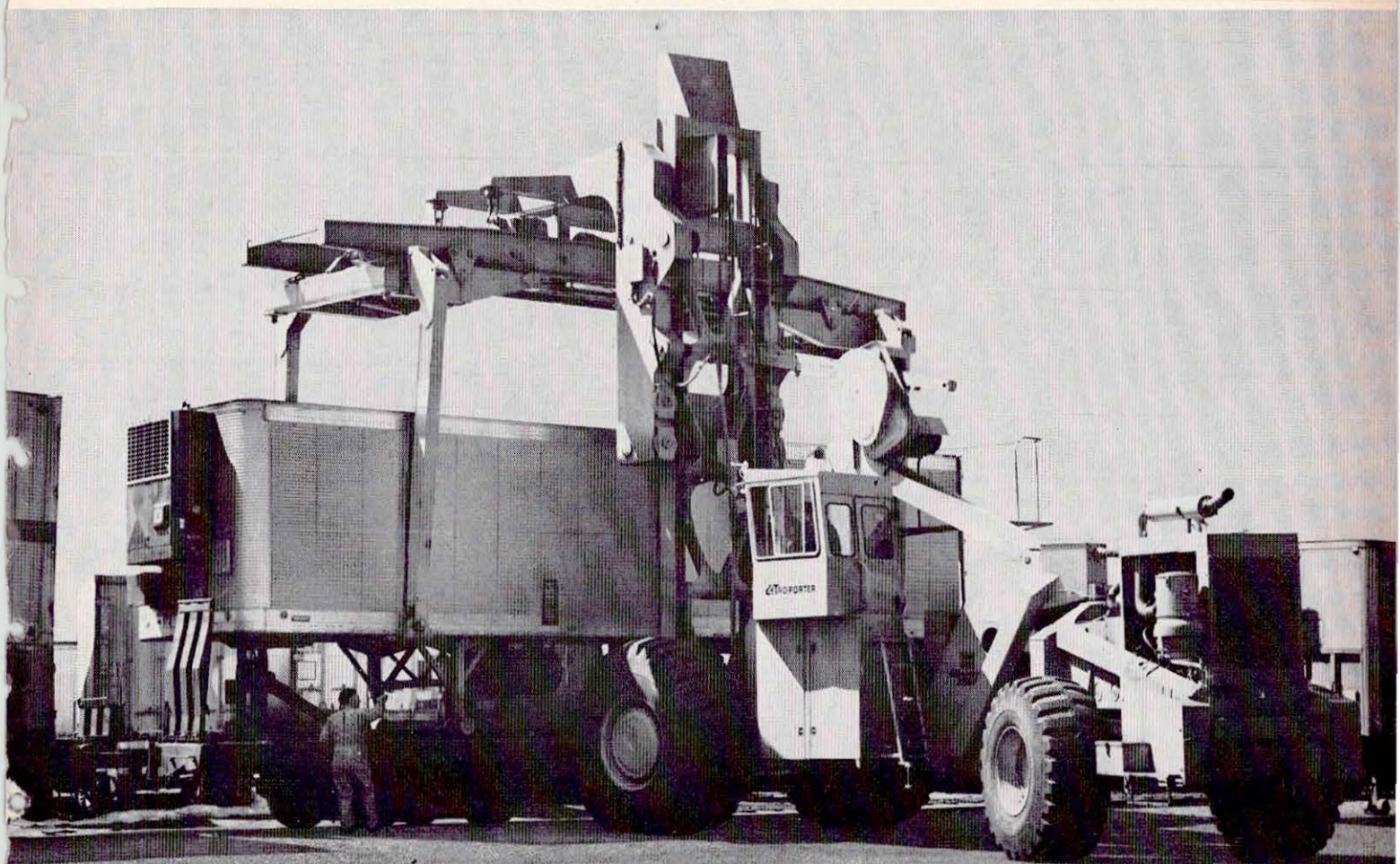

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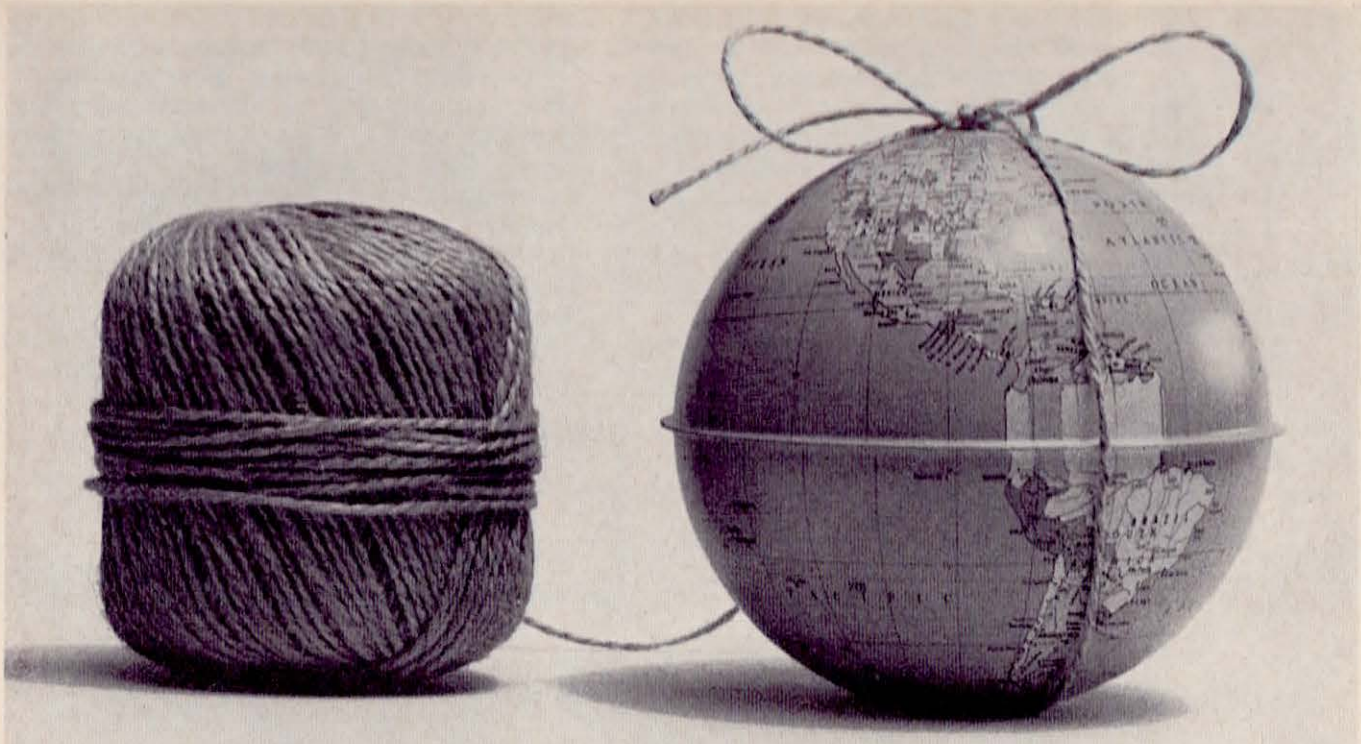
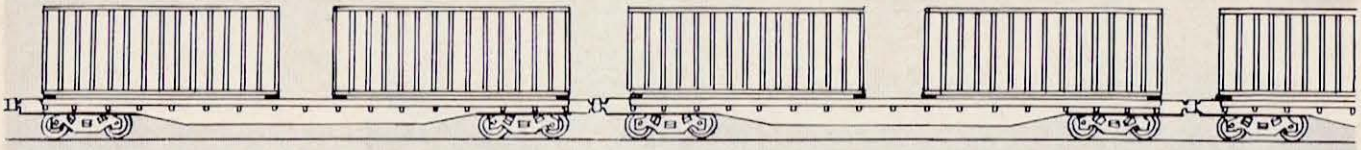


string along with us... & we'll give you the world.



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Circle 31 on coupon page 37

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Perplexed Over Piggyback Problems?

Use *Our* Head to Solve Them!

High lift capacity.

Bottom lift for trailers up to 90,000 lbs. G.V.W.

The new PC-90 Piggy Packer® at Union Pacific's Argo yards, Seattle, handles this 40′ container from the top with the greatest of ease.

FWD WAGNER— ***can solve these problems for you and more, with the remarkably new, amazingly mobile Model PC-90 Piggy Packer®.***

It gives complete hydraulic control of all actions and has the only high-capacity lift head with all these features:

- **Forward extension on same plane without movement of machine**
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These are just a few of the reasons why there are 42 versatile Piggy Packers working in the yards of America's leading railroads today. *Let us show you how the originators of the side-loader can help solve your piggyback problems and reduce handling costs. Leaders yesterday—leaders today with proven dependability and low-cost, simple maintenance and operation. Write or call today.*

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Santa Fe people "are dedicated"

(Continued from page 42)

Q. Before the credit was taken off in 1969, Santa Fe entered into one major lease agreement covering locomotives. What's your general view of leasing?

A. We don't have strong feelings one way or the other. It's a matter of what is the most advantageous vehicle for financing at a given time. Our recent financing, as you know, has been via the more conventional equipment-trust route. We're now negotiating a conditional-sale agreement covering freight cars.

Q. Any discussion of the future of railroading inevitably gets around to the question of labor costs, work rules, relationships between management and the employee organizations. Can you find reason for optimism?

A. I'm optimistic—though perhaps it's a case of hope springing eternal.

We have just had a more reasonable settlement on work rules with the Brotherhood of Locomotive Engineers. After all, some union leaders in other industries have recognized the problem. Just a few days ago I read a report of the testimony given by an executive of a large merchant marine union acknowledging that many of the work practices that have grown up in the maritime industry were morally wrong and economically indefensible. He indicated that there were flagrant examples of inefficient utilization of job ratings and make-work items that could not be justified by anyone but the most dishonest person. He said his union recognized the shortcomings and was trying to do something to remedy them. Then also I recall reading that the pilots' organization of one of the major airlines has agreed to extend the limitations on flying hours per month in order to maximize the revenue-producing potential of the airline under current conditions.

In the long run, I can't see how railway labor leaders can fail to face up to the fact that outmoded work rules are a key problem in preventing railroads from competing for the business that pays their checks. Of course, as a practical matter, savings from work-rule changes will have to be shared. If, for example, we could increase the number of hours and miles in the basic work day and could thereby reduce the number of crews operating Chicago-California freight trains from 18 to a much smaller number, the work-day productivity of each crew would be increased. Naturally, the take-home earnings of these men would have to be higher than they are today.

At the same time, the railroads' share would give us a substantial cut in our total wage costs—and some of this could be passed along to the shipper. Long-term employment, for any of us, depends upon the financial soundness of our employer—and if that disappears, we all lose our job security.

Q. Could the Amtrak situation have a bearing on this?

A. Perhaps it could. In the past, we would petition to discontinue near-empty trains and the unions would automatically resist—seeing no farther than the jobs directly associated with those trains. Our lack of success in getting rid of these losing trains virtually drove us into acceptance of the Amtrak concept. Now we find that the men working on those lightly-patronized trains have already been displaced from their jobs. Certainly, they are being protected. But the jobs have been eliminated. I think this indicates that in the long run, no matter what form the management of an enterprise takes, there is going to be very little sympathy for continuation of uneconomic operations. ■

This conditional sale agreement having been placed privately, this advertisement appears as a matter of record only.

NEW ISSUE

$8,996,250

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15-Year Conditional Sale Agreement
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Due July 1, 1972/1986

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LETTERS

Professional selling

Chicago

To the Editor:

I recently joined the Illinois Central in charge of our Freight Sales Department. I have embarked upon a program so similar to that described in the two articles by Warren Walworth (RA, March 29, p. 34A; April 26, p. 25) that I feel I must write and compliment your magazine as well as Mr. Walworth on your excellent interpretation of the railroad industry's needs.

Each and everyone of our salesmen, approximately 180, have received a copy of both articles and frankly we are hell-bent on making this Sales Department into direct professional salesmen with the emphasis on personal performance and people who are "outstanding in competence and motivation." I would like to compliment your magazine also on a forward-looking approach in terms of your format and various articles.

R. A. Johnson
Assistant Vice President-Sales
Illinois Central

Le Havre.

It's the closest thing in Europe to New York.

When you ship containerized freight by boat to Le Havre you're closer to Europe than any other port. And you're closer to your customers because containerized freight consigned to Le Havre is on the railroad to your markets while freight consigned to other major ports is still at sea. Because Le Havre is almost a day closer to New York.

And because French National Railroads can provide prompt, punctual freight delivery direct to every major European city.

The containerized freight handling facilities in Le Havre are now among the best in Europe. So good in fact, we can guarantee scheduled shipment of your goods to the consignee. Our freight trains are waiting at the dock. Your containerized shipments are immediately unloaded from the boat and loaded into the trains — and on their way. To Paris — Lyons — Strasbourg — Basle — Stuttgart — Dusseldorf. Anywhere in Europe. With no delays. At speeds of 65-70 miles per hour. In cars equipped to handle any and all size containers. This means fast, efficient and economical service to you and your customers. So ship to Europe via Le Havre and the French National Railroads and its affiliated Company "Compagnie Nouvelle des Cadres" specially created to handle containers. It's the shortest containerized freight route from New York.

For further information write to the French National Railroads 610 5th Ave., New York, N.Y. Freight Department C. Or call French National Railroad at 582-2110.

FRENCH NATIONAL RAILROADS

Circle 34 on coupon page 37

Left to right — Ed Claypole, Bruce Addington, Bill Moore, Hank Sharp, Ed Frasher.

You can bet on this team.

Bill Moore picked four of the best railroaders anywhere to head the operating team that has brought reliable freight service back to Penn Central.

In case you haven't met them all, they are Bruce Addington, Vice-President—Operations; Ed Claypole, Assistant Vice-President—Operation-East; Ed Frasher, Assistant Vice-President—Operation-West; and Hank Sharp, Assistant Vice-President—Yards and Terminals.

Each officer earned his spot by working up through the ranks. Addington was 34 years with the Southern. Sharp was president of the nation's largest, busiest, railroad switching and terminal company. Claypole is in his 30th year with Penn Central, and Frasher in his 29th. They are career railroaders who know their business.

You rarely see them all together like this. They are constantly traveling our 21,000-mile railroad system, working hand in hand with yardmasters, trainmasters, superintendents and everyone who is responsible for creating first-class freight service.

They're getting results. Restoring teamwork and morale throughout the system. Earning your confidence.

On-time performance is improving on the Penn Central freight trains scheduled daily. They're getting better utilization of our freight fleet.

In the first quarter, they moved more freight than in the same period last year with approximately 25,000 fewer cars on line. Renewed efficiency stems from the new spirit on Penn Central — and the new leadership which inspires it.

This team is at your service, eager to win the privilege of carrying more and more of your shipments.

Give them your business. They'll make sure that you will be satisfied. And that's a promise.

PENN CENTRAL TRANSPORTATION COMPANY

You can count on us.

Market Outlook

CARLOADINGS

Loadings of revenue freight in the week ended May 15 totaled 532,212 cars, according to the Association of American Railroads. This was a decrease of 2,905 cars, or 0.5%, compared with the previous week, and a decrease of 36,881 cars, or 6.5%, compared with the corresponding week last year.

REVENUE FREIGHT CARLOADINGS

Commodity	May 15 Week	May 8 Week	May 1 Week
Grain	20,844	21,306	20,737
Farm products	11,366	10,126	10,392
Metallic ores	48,746	44,927	40,752
Coal	98,003	102,396	105,974
Crushed stone, gravel & Sand	30,763	31,193	30,721
Nonmetallic minerals	10,095	9,915	9,847
Grain mill products	17,951	17,866	18,502
Food & kindred products	24,150	24,036	24,561
Primary forest products	22,929	23,484	22,758
Lumber & wood products (except furniture)	15,372	15,624	16,084
Pulp, paper & allied products	23,428	23,561	23,551
Chemicals & allied products	29,367	30,898	33,230
Petroleum products	9,547	9,484	9,221
Stone, clay & glass products	20,436	20,899	20,468
Coke	8,552	8,428	8,679
Metals & products	28,263	28,594	30,781
Motor vehicles & equipment	25,713	25,067	25,526
Waste & scrap materials	15,426	15,349	15,607
Forwarder & shippor assn. traffic	5,526	5,550	5,576
All other carloads	65,153	65,866	68,302
LCL traffic	582	545	546
Total cars loaded	532,212	535,114	541,815
CUMULATIVE TOTAL, 20 weeks	1971	1970	1969
	9,984,774	10,261,312	10,473,787
Estimated revenue ton-miles (billions) 20 weeks	288.2	291.7	289.5

PIGGYBACK LOADINGS

U.S. piggyback loadings for the week ended May 8 totaled 22,406 cars (5.1% below the corresponding week last year) and 36,917 trailers or containers (down 0.6% from 1970). Cumulative volume for the first 19 weeks of 1971 is 429,941 cars (off 4.5% from last year) and 692,017 trailers or containers (down 4.1% from 1970). In addition to freight, 2,927 cars carrying 4,490 trailers or containers of mail and express were handled piggyback. Cumulative figures for the first 19 weeks of 1971 are 63,958 cars (up 0.5% from the 1970 total), and 94,156 trailers or containers (down 7.7% from 1970).

CANADA.—Railways loaded 5,535,470 tons of revenue freight during the 9-day period ended April 30, up 4.5% from the corresponding period of 1970. The number of cars loaded rose 1.8% to 103,955. Year-to-date tonnage loaded showed a decline of 1.6% to 60,482,493 tons, while the number of cars loaded was lower by 2.9% at 1,164,181.

FREIGHT-TRAIN CARS

● *Serviceable cars.*—Revenue freight cars in serviceable condition owned by Class I railroads on April 1 totaled 1,350,748, compared with 1,352,915 on April 1, 1970, according to most recent AAR Car Service Division report. Estimated total ownership of all railroad- and privately-owned freight cars on April 1 (see table below), was 1,785,072 (average capacity: 67.37 tons), compared with 1,785,914 (average capacity: 65.91 tons), on April 1, 1970.

ESTIMATED OWNERSHIP—ALL REVENUE FREIGHT CARS

(April 1, 1971 vs. April 1, 1970)

		Box	Covered Hopper	Gondola	Hopper	Flat	Refg.	All Other	TOTAL
Class I	1971	533,993	132,312	185,824	389,594	75,277	63,530	49,969	1,430,499
	1970	545,261	126,658	190,690	392,005	71,799	55,264	52,399	1,434,076
RRO&C Refgs.*	1971	0	0	0	0	0	35,200	0	35,200
	1970	0	0	0	0	0	45,412	0	45,412
All other Private	1971	1,223	38,972	2,873	2,621	51,642	25,548	172,394	295,273
	1970	1,193	34,973	2,307	2,321	50,276	14,857	176,151	282,078
Class II & S&T Cos.†	1971	9,244	774	4,193	6,954	528	1,465	942	24,100
	1970	9,190	717	4,299	7,160	527	1,458	997	24,348
GRAND TOTAL	1971	544,460	172,058	192,890	399,169	127,447	125,743	223,305	1,785,072
	1970	555,644	162,348	197,296	401,486	122,602	116,991	229,547	1,785,914

* Railroad owned and controlled refrigerator car lines.
† Class II railroads and switching and terminal companies.

● *Canadian National.*—Ordered 150 85-ft-long container flat cars, each capable of carrying four ocean-going containers, from Hawker Siddeley Canada. Delivery is scheduled to begin early next November and to be completed by the year end.

● *CP Rail.*—Ordered 410 100-ton steel gondola cars costing $7.5 million from Hawker Siddeley Canada. The cars, for unit-coal-train service in British Columbia, will be essentially the same as cars acquired in 1969-70. Delivery is scheduled for the 1971 fourth quarter.

● *Milwaukee Road.*—Ordered 325 50-ft, 70-ton box cars from Pacific Car & Foundry; 200 60-ft, 100-ton box cars with 16-ft door openings from Gunderson, Inc.; 100 70-ton mechanical refrigerator cars from Pacific Car & Foundry; and 50 100-ton Airslide covered hopper cars from General American. In addition, Milwaukee Road plans rebuilding 850 cars of various types.

● *Missouri Pacific.*—Ordered 330 new freight cars costing over $6 million, as follows: From Pullman-Standard, 200 100-ton covered hopper cars; from Pacific Car & Foundry, 100 70-ton box cars; from International Car, 30 cabooses. Also, MoPac will order five 60-ft high-cube box cars.

● *Trailer Train.*—Ordered four 89-ft, 4-in. low-level cars from Pullman-Standard. Since Jan. 1 TTX has ordered 361 new cars. As of May 14, TTX had 58,963 cars in service or on order.

LOCOMOTIVES

● *CP Rail.*—Ordered 24 3,000-hp diesel-electric units from the Diesel Division of General Motors of Canada at an approximate cost of $10 million. The units will augment the road's pool of high-horsepower locomotives in western Canadian unit-coal-train service. Delivery is scheduled for the first quarter of 1972.

PASSENGER-TRAIN CARS

● *Canadian National.*—Announced an $8.5-million program to upgrade its passenger-car fleet. More than 1,000 cars will undergo heavy shopping or accelerated maintenance during the next two years. Cars being heavy shopped will receive new upholstery and carpeting; bright interior color schemes and draperies will be introduced to many units, including coaches, sleeping cars and meal service cars. Electrical air conditioning units will be completely overhauled.

MAINTENANCE EXPENDITURES

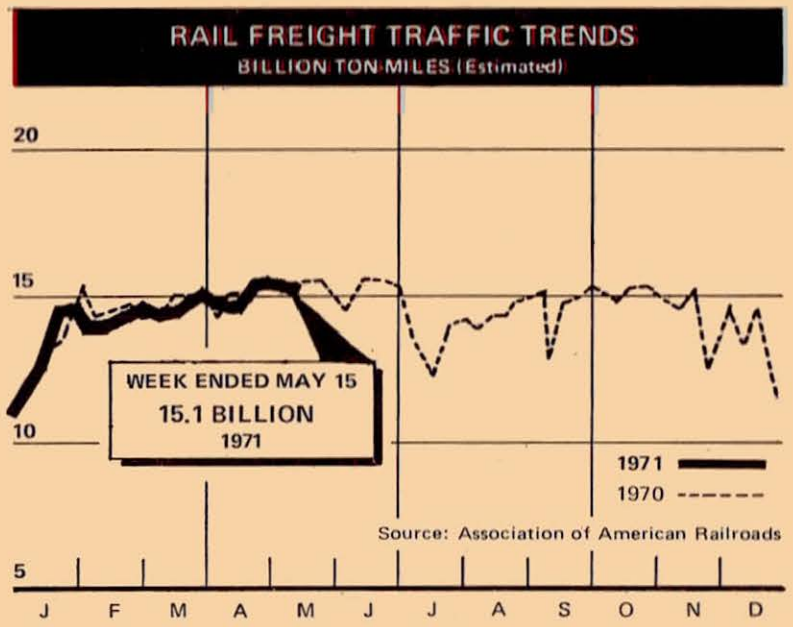
● *Fourth Quarter of 1970 11.8% above fourth quarter of 1969.*—Expenditures by Class I roads for maintenance of equipment, way and structures in the fourth quarter of 1970 were up about $106.9 million, compared with the fourth quarter of 1969, according to report of AAR Economics & Finance Department, summarized below.

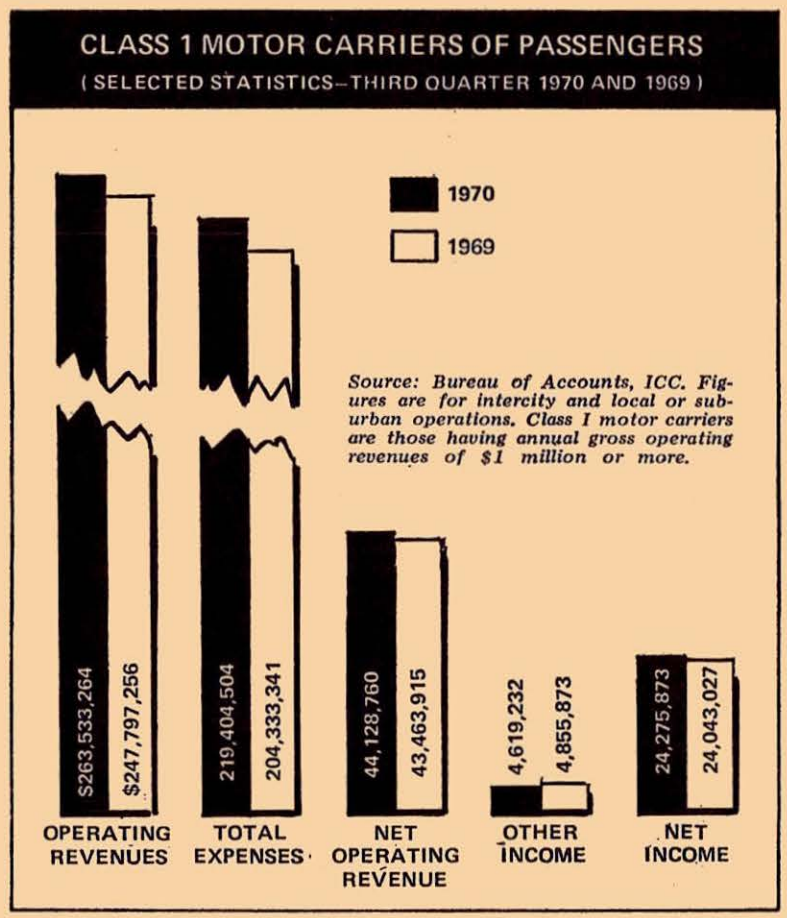
	Fourth Quarter 1970	1969	% Change
Maintenance of way and structures	463,685,562	385,635,604	+20.2
Maintenance of equipment	552,536,392	523,700,948	+ 5.5
Totals	1,016,221,954	909,336,552	+11.8

NEW FACILITIES

● *Denver & Rio Grande Western.*—General Railway Signal will furnish three outdoor control panels to consolidate manual operation of switches in the D&RGW's yard at Denver, Colo.

● *Southern.*—Ordered equipment from General Railway Signal for pushbutton NX (eNtrance-eXit) control of three interlockings at Chattanooga, Tenn. Project will involve modification of two existing interlockings and installation of one new interlocking. The facilities will comprise a total of 40 controlled switches within a one-mile area. The work is being done in connection with re-routing of L&N trackage in the area. The interlocking nearest the control office will be controlled via direct wire, the other two, via the Type K2 code system.





Viewpoint

Penn Central's peril is not PC's alone

"We are going to make it," Penn Central President William H. Moore told Railway Age just a few weeks ago. His statement of confidence and optimism is widely recalled and often quoted.

Less well remembered, perhaps, is a crucial "if" which Mr. Moore tacked on to that statement. It would take far more, he said, than new and upgraded equipment, more than schedules adhered to, more than internal housecleaning to put Penn Central solidly on the road back. There were "certain problems outside of the immediate control of management" that could cancel out everything else.

In those areas within management's control, Bill Moore and the trustees have accomplished more than most of us thought possible just a few months ago. Improved service has brought back thousands of carloads of traffic. Nearly 7,000 new freight cars will be on line by the end of 1971 through a series of leasing agreements executed with builders. Old cars are being upgraded by the thousands. In this year's first quarter, Penn Central operated 116,086 freight trains, 7,244 more than in the 1970 quarter. Operating efficiencies reduced by 22,000 units a day the number of foreign cars on line.

Despite all this, Penn Central remains perilously close to government takeover. It is becoming increasingly clear that Penn Central can be saved only if those "problems which are outside of the immediate control of management" can be overcome.

Within the next few days Penn Central's trustees will tell Congress what they feel it will take to resolve these problems. In earlier statements, the trustees have given an indication of their thinking.

They feel that a drastic pruning of main line must be accomplished, and accomplished swiftly. As much as 40% of Penn Central's route mileage should be lopped off, in their view.

The trustees feel strongly that Penn Central must have more freedom than it now has to price its product. They want protection against below-cost rates; they want the right to publish agreed charges; they want, fundamentally, a cost oriented pricing structure.

Most important of all, the trustees want sweeping changes in the labor area: "The rationalizing of employment and labor-relation policies and costs is the most critical single condition to making the Penn Central viable." (Archaic work rules, plus excess-crew laws, cost Penn Central $120 million in 1970, said Bill Moore last week.)

AT STAKE: NOT ONE RAILROAD BUT AN INDUSTRY

It is to be hoped that Congress, which so far has seemed more disposed to rake through Penn Central's troubled past than to work toward insuring its future, will listen sympathetically to the trustees. One way to insure this is for the entire industry to rally behind Penn Central as it has never rallied before.

When every railroad president, every labor chieftain, every manufacturer with a stake in privately-operated transportation begins to knock on the doors of Congressmen and Senators, with more than a parochial plea, then something is likely to happen.

Penn Central's peril is the industry's peril. Nationalization could well begin with Penn Central; it is not likely to end there.

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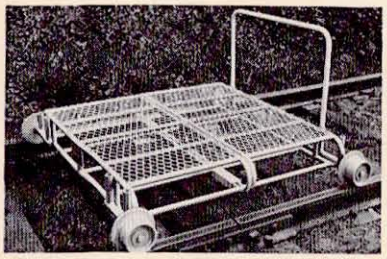

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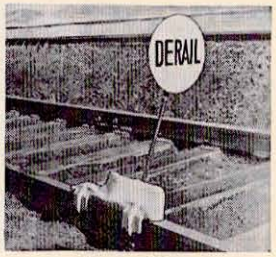

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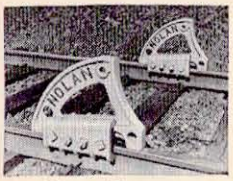

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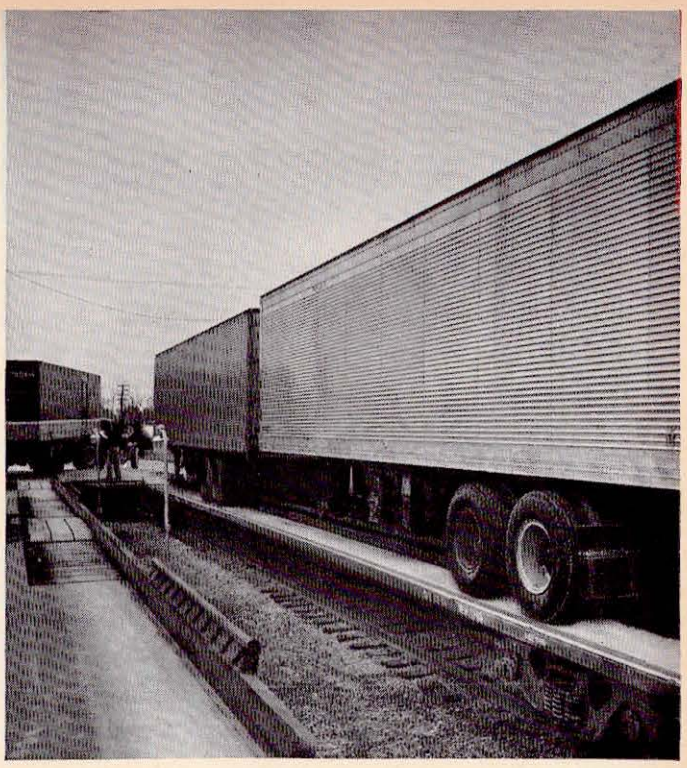
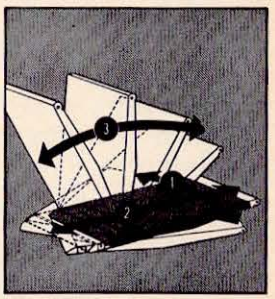


New Bridgeplate System helps stop piggyback terminal delays.

Malfunction of conventional bridgeplates often causes costly car delays at the terminal. New SS-1 Bridgeplates help eliminate this expense. In addition, plate loss or damage is prevented and the chance of derailment minimized.

- Exclusive flexible hinge permits plate to rotate and move longitudinally if it is left down. Returns plate to "neutral" automatically when adjacent car no longer interferes.
- Flexible hinge also protects plate and locking pin from trailer impact when in vertical (stored) position. After such impact, plate automatically returns to vertical.
- SS-1 Bridgeplates are 35 lbs. lighter than conventional plates. Easier to handle in the yard. Simple to install on new or existing equipment.



Above, exclusive 3-way movement of new USG Bridgeplate System. For more information on how it can help reduce train delays and car "down-time," call (312) 321-3766; or write 101 S. Wacker Dr., Chicago, Ill. 60606.

Transportation Products Division

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Circle 37 on coupon page 37

CP looks for new ways to work with shippers

Fred Burbidge, Canadian Pacific vice president, has just taken over as senior executive officer of CP Rail. On the day he assumed his new position, Burbidge was interviewed by Railway Age Mechanical Editor Fred Houser. While the pictures were not yet up on the walls of his new office and the desk intercom was still a bit of a mystery to him, there was no uncertainty about his faith in the future of his railway. Here are the questions and answers.

Q. Canadian railways are often cited as being the beneficiaries of enlightened regulation. Have you ever estimated how different your operations would be if you had U.S.-style regulation?

A. No, we have never estimated the reverse of the existing situation. We do have an excellent regulatory climate, from the standpoint of both the railway and the shippers. We do not have to go through extended rate procedures. For specific rates there is no right of suspension. And we have the right to negotiate agreed charges. One of the areas where we are not flexible is international rate making, where we get caught up in U.S. regulatory procedures.

When we were preparing for the McPherson Royal Commission which led to the National Transportation Act, we were going to prepare a list of the "shackles" in the Railway Act—that was a standard phrase in all speeches of the mid-Fifties. These shackles were all the things by which the railways were alleged to be inhibited. When we came to make a list, we found that actually there were damn few. But the myth existed and people almost automatically would say: You can't do that, the Railway Act prohibits it. This was particularly true about pricing. Minor restrictions were magnified into major reasons for not changing. Now we have a different attitude to pricing and all CP people know that argument is no longer open to them. For that reason they are much more open-minded and aggressive. We have made a lot of pricing innovations.

Q. For example?

A. The major one we have under the National Transportation Act is to make our rate changes on 30 days' notice, without protracted hearings. We have the agreed charges as a separate provision. You can make agreed charges and then tailor them in the light of what the shipper is prepared to give you in terms of a percentage of his business. In the open tariffs we have everything from unit train rates, to multi-car rates, to seasonal rates, to directional rates.

Then we have the "stepladder" and "open end" rates. The shipper pays the fixed amount for the minimum carload and then gets a variable reduction for the excess—in effect a rather substantial rate reduction. We are exploring that on a route basis in eastern Canada and between eastern Canada and western Canada.

Q. Could this have been accomplished under the old legislation?

A. It may have been possible, but no one thought so. Railways are traditional, and there are traditions in rate making just as there are in other aspects of the business. Our minds have been opened to explore new ways we can work with shippers and also to persuade shippers that it is to their advantage to help the railway get maximum utilization from its plant by loading faster, unloading faster, loading heavier and loading regularly. We run seven days a week and 24 hours a day and the way you make money is by keeping the machine going. Now if a shipper is prepared to mesh his operation with our operation, then both of us benefit.

The Kaiser unit coal train is an example of this meshing of interests. It is a seven-days-a-week, 52 weeks a year operation. They have four hours to load and four hours to unload, and they have a very low base rate that reflects the efficiency of that operation. Incidentally, we have just announced an order for 410 more coal cars and 24 locomotives for unit trains for Fording Coal Limited to be operated over a new branch which we will complete this fall. That contract will begin next April. Again it will be coal for Japan.

Q. You have other solid-train movements?

A. Just last week we put a proposal to the sulphur industry for an equivalent kind of train for sulphur from Alberta to Vancouver for export. We have been running 65-car solid trains for sulphur —not quite unit trains. What we are proposing for the sulphur shippers is a long-term contract so they will know what their rate will be, and their transportation characteristics, over a long contractual period. That should help them market their sulphur. This is an example of the evolution in pricing. It was once based on a single-car lot. Then a few years ago we established a rate for 50 cars; it was a bit higher for 20; and still a bit higher for 10.

Even though sulphur is a homogeneous commodity, we had to get shippers used to commingling their shipments on a stock pile at Vancouver in order to take advantage of these rates. That still is not the case with potash. The whole business of providing transportation is an educational job, on both sides.

Q. CP is well known as a multi-modal company. What about intermodal traffic?

A. We talk a lot about intermodal in our speeches and we are in position, through the various modes that we own and control, to provide it. But you have to have a shipper who wants it. When he really wants it we are in a position to provide it. A good example is cement which we are moving to the Mica dam (on the Columbia River in British Columbia). We move the material in pressure hoppers and then transfer it to pressure tank trucks and move it up. We give the customer one bill for the entire move. On Vancouver Island we have similar moves. We move sulphuric acid in tank cars and then transfer it to tank trucks and move it to paper mills. We do the same thing with gasoline. It is really a hell of a good idea. But you have to have a shipper who sees the advantages of it; once again, we are in the educational realm. We have made a number of proposals to the oil companies with respect to the distribution of liquefied petroleum gas. We go so far as to say that if the LPG volume would grow to the point where a pipeline is indicated we would be a participant in a pipeline. You could then move your unit train from the end of the pipeline and make deliveries to service stations from the unit train.

Then, of course, there are the containers that come by truck to Rotterdam and then by ship and by rail and by truck to Canadian destinations.

This makes a lot of sense. You use the particular mode where it fits best and mesh it with the next mode. If you are in the position of the prime contractor, you can go to the shipper and say O.K., I'm your transportation ex-

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Ian Goulden

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Minato-Ku
C.H. Yiu, Managing Director

pert. Dealing with one guy represents a significant advantage to him.

Q. What percentage of your traffic moves in containers and trailers?

A. Piggyback traffic yields between $25 million and $30 million out of total revenues that amounted to $545 million last year. Container movement is relatively small but it is growing fast.

Q. As part of a diversified conglomerate, is it more difficult for CP Rail to get financing than CP Air?

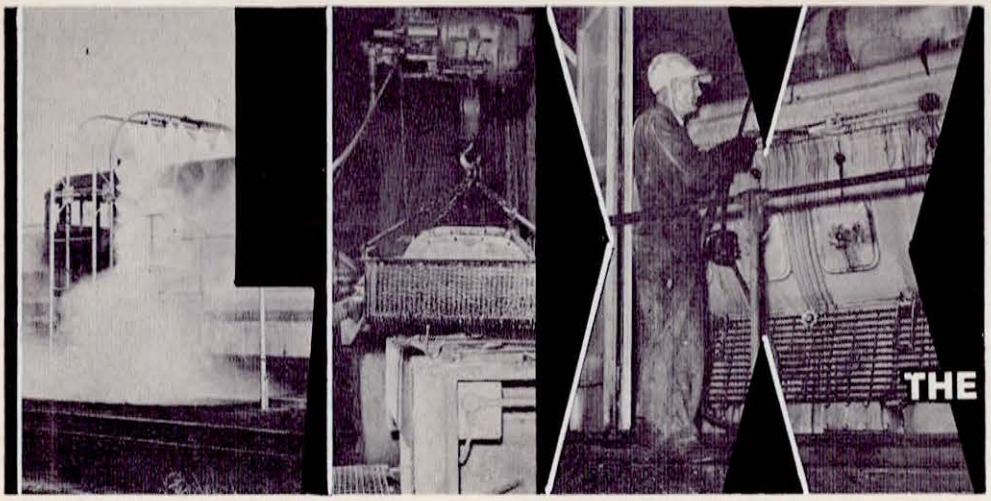
A. I would not say so. This is a big organization but it has a very fine railway and it intends to keep it that way.

Q. What is your long-range outlook?

A. I see an excellent future for the railway. We may be just a little different than you are in the U.S. We have just two major railways in Canada and we have a very excellent raw materials base. We have long hauls. We have an excellent physical plant. And we have a growing capability in our people. We know that you have to be a marketing-oriented group to succeed in transport.

Q. Is your future tied more to marketing than to technology?

A. I think that your whole posture has to be a marketing one, but if you can assist your marketing posture with technology, by all means do it. And our people will be doing it. Our unit coal train, for instance, helped in marketing the coal. We are able with that big train to give the low rate which enabled the Kaiser people to sell the coal in Japan. ■



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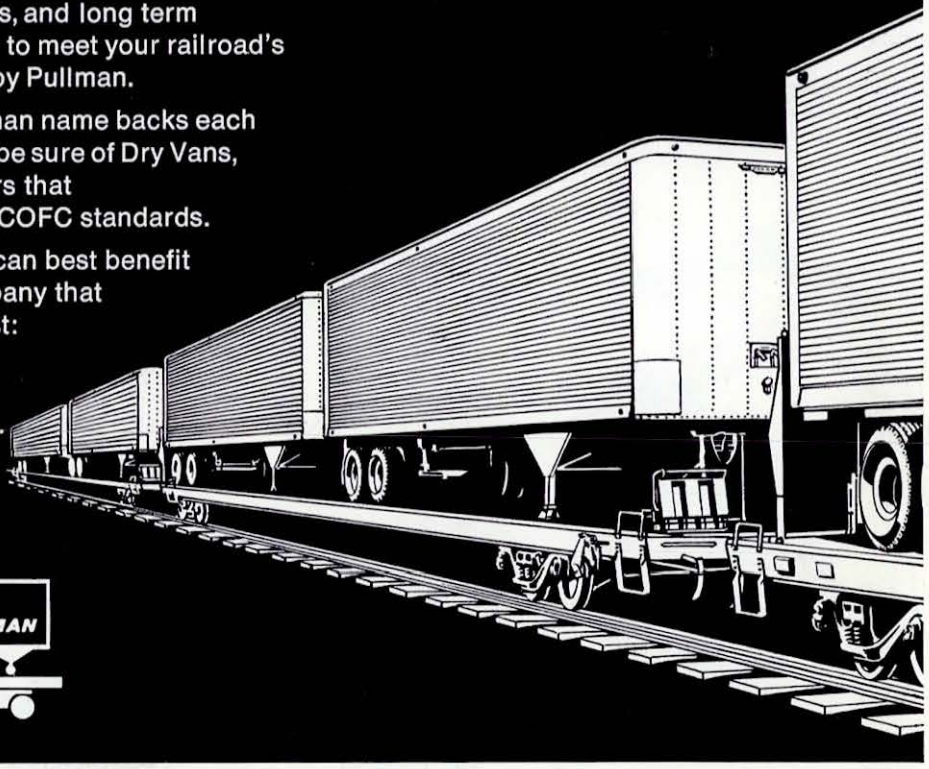

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